



ENTERTAINMENT

ANNUAL INFORMATION FORM

Fiscal year ended August 31, 2015

Corus Entertainment Inc.

November 9, 2015

ANNUAL INFORMATION FORM - CORUS ENTERTAINMENT INC.

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All amounts following are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, “forward-looking statements”). These forward-looking statements are related to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including advertising, distribution, merchandising and subscription revenues, operating costs and tariffs, taxes and fees, and can generally be identified by the use of words such as “believe”, “anticipate”, “expect”, “intend”, “plan”, “will”, “may” and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Corus believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including without limitation, factors and assumptions regarding advertising, distribution, merchandising and subscription revenues, operating costs and tariffs, taxes and fees and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs; the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying such forward-looking statements may be found in this Annual Information Form. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

INCORPORATION OF CORUS

Organization and Name

Corus Entertainment Inc. (“Corus” or the “Company”) is a Canadian-based integrated media and content company that creates, broadcasts, licenses and delivers content across a variety of platforms for audiences around the world. The Company’s portfolio of multimedia offerings encompasses specialty television and radio with additional assets in pay television, television broadcasting, children’s book publishing, children’s animation, animation software, and technology and media services.

The Company was originally incorporated under the *Canada Business Corporations Act* as 3470652 Canada Inc. on March 3, 1998. Corus amended its articles to change its name to Corus Entertainment Inc. on May 28, 1999 and subsequently amended its articles on August 26, 1999 to create additional classes of shares.

On December 18, 2003, the Company amended its articles to state that no Class A Voting Shares may be issued unless the prior written consent of holders of no fewer than two-thirds of existing Class A Voting Shares is obtained. The Company also amended its articles on January 9, 2008 to implement a two-for-one stock split of its Class A Voting Shares and Class B Non-Voting Shares (each such term as defined below under the heading “Capital Structure”), effective February 1, 2008.

Corus commenced operations on September 1, 1999. On that date, pursuant to a statutory plan of arrangement (“the Arrangement”), Corus was separated from Shaw Communications Inc. (“Shaw”) as an independently operated, publicly traded company and assumed ownership of Shaw’s radio broadcasting, specialty television, digital audio services and cable advertising services businesses, as well as certain investments held by Shaw.

Pursuant to the Arrangement, Class A shareholders of Shaw received one Class A participating share of Shaw (“Shaw Class A Share”) and one-third of a Class A participating share of Corus (“Corus Class A Voting Share”) for each Shaw Class A Share previously held by them. Class B non-voting shareholders of Shaw received one Class B non-voting participating share of Shaw (“Shaw Class B Share”) and one-third of one Class B non-voting participating share of Corus (“Corus Class B Non-Voting Share”) for each Shaw Class B Share previously held by them.

On September 3, 1999, the Corus Class B Non-Voting Shares were listed and posted for trading on the Toronto Stock Exchange (CJR.B). On May 10, 2000, Corus Class B Non-Voting Shares were listed for trading on the New York Stock Exchange (CJR). The Company voluntarily delisted from the New York Stock Exchange on August 4, 2010. On August 16, 2011, Corus filed a Form 15F with the U.S. Securities and Exchange Commission (“SEC”) to voluntarily terminate registration of its Class B Non-Voting Shares, with the deregistration being effective 90 days after the Form 15F filing date.

Corus’ registered office is located at 1500, 850 – 2nd Street SW, Calgary, Alberta T2P 0R8 and its executive office is located at Corus Quay, 25 Dockside Drive, Toronto, Ontario, M5A 0B5.

Subsidiaries

The following table describes the significant operating subsidiaries of Corus as at August 31, 2015, their jurisdiction of incorporation or organization, and the combined percentage of voting and non-voting securities owned by Corus directly or indirectly.

Name	Jurisdiction	Equity interest	
		2015	2014
3924181 Canada Inc. ("ABC Spark") Cosmopolitan Television Canada Company ("Cosmo")	Canada Nova Scotia	100% 54%	100% 54%
Corus Premium Television Ltd.	Canada	100%	100%
Corus Radio Company	Nova Scotia	100%	100%
Country Music Television Ltd. ("CMT")	British Columbia	80%	80%
Encore Avenue Ltd.	Canada	100%	100%
8504644 Canada Inc. ("Historia")	Canada	100%	100%
Movie Central Ltd.	Canada	100%	100%
Nelvana Limited	Ontario	100%	100%
8504652 Canada Inc. ("Séries+")	Canada	100%	100%
Telelatino Network Inc. ("TLN")	Canada	50.5%	50.5%
TELETOON Canada Inc.	Canada	100%	100%
OWN Inc.	Ontario	100%	100%
W Network Inc.	Canada	100%	100%
YTV Canada Inc.	Canada	100%	100%

The Corporation has other subsidiaries, but they have been omitted as each represents 10% or less of total consolidated assets and 10% or less of total consolidated revenues. These omitted subsidiaries together represent less than 20% of total consolidated assets and revenues.

GENERAL DEVELOPMENT OF THE BUSINESS

Corus Entertainment Inc. is a Canadian-based integrated media and content company that creates, broadcasts, licenses and delivers content across a variety of platforms for audiences around the world. The Company's portfolio of multimedia offerings encompasses specialty television and radio with additional assets in pay television, television broadcasting, children's book publishing, children's animation, animation software, technology and media services. Corus' television brands include ABC Spark, Cartoon Network (Canada), CMT (Canada), CosmopolitanTV, Disney Channel (Canada), Encore Avenue, HBO Canada, Movie Central, Nickelodeon (Canada), OWN: Oprah Winfrey Network (Canada), Sundance Channel (Canada), Telelatino, TELETOON, Treehouse, W Movies, W Network, YTV, Historia, La chaîne Disney, Séries+ and TÉLÉTOON. Its 39 radio brands include CKNW AM 980, Rock 101, Country 105, 630 CHED, Fresh Radio, JUMP! 106.9, Q107 and 102.1 the Edge. The Company also owns Nelvana, an internationally renowned animation production company, Kids Can Press, Toon Boom and Quay Media Services. A publicly-traded company, Corus is listed on the Toronto Stock Exchange (CJR.B).

Significant Acquisitions and Divestitures

On April 30, 2013, the Company disposed of its 20% interest in Food Network Canada to Shaw Media, a division of Shaw Communications Inc., for \$66.8 million, resulting in a gain of \$55.4 million. Contemporaneously, on April 30, 2013, the Company acquired the remaining 49% interest in the voting shares of ABC Spark from Shaw, increasing Corus' ownership interest to 100%. The Company received non-interest bearing promissory note from Shaw in the amount of \$47.8 million to satisfy the net consideration in respect of these transactions.

On January 1, 2014, the Company acquired the remaining 50% interest in TELETOON that it did not already own. The results of the operations of TELETOON, as well as its assets and liabilities, are included in the Television segment effective September 1, 2013 at 100%. Cash consideration for the acquisition was \$251.1 million.

On January 1, 2014, the Company acquired 50% of the outstanding shares of the French-language specialty channels Historia and Séries+ s.e.n.c. (“H&S”) from Bell as part of its acquisition of Astral Media Inc. (“Astral”). In addition, on the same date, the Company acquired the remaining 50% of the outstanding shares of H&S from Shaw Media Inc., a related party to Corus subject to common voting control. The results of operations of H&S, as well as its assets and liabilities, are included in the Television segment at 100% interest, effective January 1, 2014. Cash consideration for the acquisition was \$232.6 million.

On January 31, 2014, the Company acquired 100% of the outstanding shares of two Ottawa radio stations (CJOT-FM and CKQB-FM, “Ottawa Radio”) from Bell. The results of operations of Ottawa Radio, as well as their assets and liabilities, are included in the Radio segment at 100% interest, effective January 31, 2014. Cash consideration for the acquisition was \$13.7 million.

DESCRIPTION OF THE BUSINESS

In fiscal 2015, Corus’ principal business activities were conducted through two operating segments: Radio and Television, as described below.

The breakdown of revenues by business for the two most recent fiscal years is as follows:

Year ended August 31	2015	2014
Television	653,770	660,424
Radio	161,545	172,592
Total revenues	815,315	833,016

Revenue streams in fiscal 2015 were derived primarily from three areas: advertising, subscriber fees and merchandising, distribution and other, which represented 46%, 42% and 12%, respectively, of total revenues. In fiscal 2014, advertising, subscriber fees and content (merchandising, distribution and other), represented 49%, 40% and 11%, respectively, of total revenues.

STRATEGIC PRIORITIES

In fiscal 2015, the Company adopted strategic priorities which are designed to increase shareholder value through organic growth initiatives and acquisitions. There is an ongoing shift in media consumption habits, driven by consumers’ appetite for more high quality content across a variety of platforms. To achieve its growth objectives, the Company must ensure that its top-tier brands and content are everywhere that its audiences are. An intense focus will be placed on optimizing and monetizing these audiences, both at home and abroad, by executing on the Company’s key strategic priorities:

1. Own and Control More Content

Increase production of owned content; and secure rights to world-class branded content to compete effectively in the domestic and international marketplace.

2. Expand into New and Adjacent Markets

Pursue growth in unregulated and regulated businesses, both domestically and internationally.

3. Engage Our Audiences

Build a two-way relationship with audiences, both viewers and listeners.

These strategic priorities will be advanced by deepening the Company’s extensive domestic and global partnerships, deploying opportunistic, targeted merger and acquisition activities and through ongoing excellence in execution. As an integrated media and content company, the Company has the right assets for success – premium brands, global partnerships, award-winning content, and the technology and distribution partners to reach consumers wherever they are. The Company plans to successfully translate these strategies into action to drive sustainable growth.

RADIO

Description of the Industry

The Canadian Radio-television and Telecommunications Commission (“CRTC”) adopted a revised radio multiple ownership policy in 1998. In any market where there are at least eight commercial radio stations in English or French, a single owner can own as many as two AM and two FM stations in that language. In its most recent statistics, CRTC data states that as of August 31, 2015, there were 718 private commercial radio stations in Canada, of which 82% were FM stations and 18% were AM stations.

The commercial radio industry is dependent upon airtime advertising revenues for economic performance and growth. According to the CRTC, the industry generated \$1.6 billion in revenues in 2014, consistent with the previous year. Radio stations compete for advertising dollars with all forms of media. According to industry sources, the radio industry captures approximately 11% of all advertising spending in Canada, compared to the print and television industries, out-of-home and digital, which capture approximately 21%, 24%, 4% and 27% of the total, respectively. According to the CRTC, in 2014, local advertising and national advertising represented 68% and 31%, respectively, of total radio advertising revenues. In 2014, the top five radio markets (Toronto, Montreal, Vancouver, Calgary and Edmonton), based on total revenue as reported to the CRTC, accounted for approximately 45% of total revenues in the Canadian radio industry.

Radio is an efficient, cost-effective medium for advertisers to reach specific demographic groups on a local, regional, and national basis. Stations are typically classified by their on-air format, such as news/talk, classic hits, rock, country, and hot adult contemporary (“Hot AC”)/classic hit radio (“CHR”). A station’s format and style of presentation enables it to target certain demographics in a market. By capturing a specific share of the radio listening audience, with particular concentration in a targeted demographic, a station is able to market its audience to advertisers. Advertisers and stations utilize data published by audience measuring services, such as Numeris (formerly Bureau of Broadcast Measurement Canada “BBM”), to estimate how many people within particular geographic and demographic markets listen to specific stations. The number of advertisements that can be broadcast without jeopardizing listening levels, and the resulting ratings, is determined primarily by the format of a particular station and the local competitive environment. The number of advertisements that can be broadcast is not regulated.

Numerous global advertising effectiveness studies have consistently identified radio as delivering significant return on investment across all media, boasting an average six-fold increase in sales relative to advertising investment. This is tangible for local advertisers in particular. It is an agile medium that can adjust its message quickly and react to the competition. In the car, radio provides overwhelming reach to a very engaged audience, even in relation to new technologies. Nielsen recently reported that radio is showing strong reach among millennials (aged 18-34) at 93%, which is higher than any other medium.

Numeris introduced a measurement system called the portable people meter (“PPM”) in fiscal 2009. The PPM measurement system was launched in major metropolitan cities across Canada including Toronto, Montreal, Vancouver, Calgary and Edmonton. It is a passive electronic device which measures actual listening as opposed to relying on the listener to accurately record habits in a diary. The PPM device registers all radio station exposures over a period of time and in any environment. The PPM technology provides more accurate and granular audience tracking data than the paper-based recall diary method and results have been positive, demonstrating that radio continues to be a growth medium. The PPM measurement system is currently used in the Toronto, Montreal, Vancouver, Calgary and Edmonton radio markets.

Radio broadcasters are continuing to see the importance of new media platforms which work in tandem with traditional radio stations. Listeners want convenience and accessibility (i.e. content whenever and wherever they want it on multiple platforms). Strong local websites exist for each station to offer advertisers an opportunity to complement on-air campaigns with an interactive element. A successful combination of on-air, online and on-site initiatives will lead to increased brand awareness for the radio broadcaster and the advertiser, translating into a rise in ratings and advertising revenues.

Advances in digital technology made subscription radio a reality. Subscription or satellite radio provides a number of channels of programming to listeners for a monthly fee. Two licenses which distribute digital signals via satellite were awarded by the CRTC and launched in 2005. In 2011, the two licensees merged.

Music streaming apps offer listeners ubiquitous access on smartphones, tablets and car audio systems. Furthermore, listeners have the ability to personalize their music content based on their musical preferences. All Corus Radio stations are streamed online in various forms.

Competitive Conditions

The financial success of each of Corus' radio stations is dependent principally upon its share of the overall advertising revenues within its geographic market, its promotional and other expenses incurred to obtain the revenues, and the economic strength of its geographic market. Radio advertising revenues are highly dependent upon audience share of sought after demographic groups. Audience share is derived from listener interest in on-air talent, music formats, and other intangible factors. This can be influenced by the competition. Other stations may change programming formats to compete directly with Corus' stations for listeners and advertisers, or launch aggressive promotional campaigns in support of already existing competitive formats. If a competitor, particularly one with substantial financial resources, were to attempt to compete in either of these fashions, ratings at Corus' affected stations could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from other media. Potential advertisers can substitute advertising through the broadcast television system (which can offer concurrent exposure on a number of networks to enlarge the potential audience); print, outdoor and digital. Competing media commonly target the customers of their competitors, and advertisers regularly shift dollars from radio to these competing media and vice versa. In markets near the U.S. border, such as Kingston, Corus also competes with U.S. radio stations.

Traditional radio and satellite radio face increased competition from music streaming apps, such as Pandora, Spotify, and Songza, which compete for listening time with radio and are beginning to make their presence felt in the car, which is where a large percentage of traditional and satellite radio consumption occurs.

Business Overview and Operating Strategy

Business Overview

The Company's Radio division is comprised of 39 radio stations situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Corus is one of Canada's leading radio operators in terms of audience reach. Corus Radio's primary method of distribution is over-the-air, analog radio transmission. Each radio station's content is available to audiences through traditional analog radio receivers at the particular station's licensed frequency on the AM or FM band. Corus Radio also delivers its content online and on mobile platforms through each station's app.

Corus Radio is the third largest radio operator in Canada in terms of audience tuning. Based on Numeris' diary and PPM surveys in 2014, Corus had an 11.7% share of English-language tuning, behind BCE Inc. which had a 20.7% share of English-language tuning. Rogers Communications had a 12.2% share of English-language tuning.

Corus Radio operates news/talk stations in seven out of Canada's ten largest markets by population (Toronto, Vancouver, Calgary, Edmonton, Winnipeg, Hamilton and London) and is one of the largest news/talk operators in Canada.

Corus is well positioned in the largest Canadian market, Toronto, through its three stations Q107, 102.1 the Edge and Talk Radio AM640 as well as in the major PPM markets of Vancouver, Calgary and Edmonton.

Corus owns a 50% stake in Canadian Broadcast Sales ("CBS"), in partnership with Rogers Media. CBS is the largest national radio sales organization in Canada. CBS' collective market presence reaches 81% of Canada's total population. CBS represents 43 broadcasters and more than 550 radio stations (including repeaters) in 250 Canadian markets.

Corus Radio derives the majority of its revenues from advertising sales. Revenues for fiscals 2015 and 2014 were \$161.5 million and \$172.6 million, respectively.

Revenues from Corus Radio are derived mainly from two types of advertising: (a) local advertisers who are generally local merchants and who operate in the trading area encompassed by the station's signal; and (b) national businesses such as automotive manufacturers, breweries, banks, retail, fast food chains and similar operations which develop national advertising campaigns. The extent to which Corus' advertising revenues are from local or national advertising depends on each given market.

Corus Radio targets a number of demographic groups. The group that garners the most advertiser dollars is Adults 25-54 (A25-54). Corus Radio stations are competitive in the top four most sought after demographically targeted groups: A25-54, A18-49, A35-54 and Females 25-54 (F25-54).

Corus Radio broadcasts in five key formats on 39 stations across Canada. The formats are news/talk, classic hits, rock, country, and hot adult contemporary ("Hot AC")/classic hit radio ("CHR").

The following table sets out the particulars of Corus' radio stations as at November 9, 2015:

Location	Call letter	Frequency	Format	Target Demo	Rank	Audience Share (i)
British Columbia						
Vancouver	CKNW AM 980	AM	Talk (News)	A35-64	3	9.0
	CFOX (The World Famous CFOX)	FM	Rock (Variety)	M18-49	2	12.8
	CFMI (Rock 101)	FM	Classic Rock / Hits	A25-54	4	9.2
	CHMJ (AM730 All Traffic All The Time)	AM	Talk (Traffic and Information)	A12+	16	0.7
Alberta						
Calgary	CKRY (Country 105)	FM	Country	A25-54	2	9.7
	CHQR (News Talk 770)	AM	Talk (News)	A35-64	4	6.4
	CFGQ (Q107)	FM	Classic Rock / Hits	A25-54	3	7.6
Edmonton	CHED (630 CHED)	AM	Talk (News)	A25-64	4	6.8
	CKNG (92.5 Fresh Radio)	FM	Hot AC	F25-54	5	7.3
	CISN (CISN COUNTRY 103.9)	FM	Country	A25-54	7	5.9
	CHQT (iNews880)	AM	News	A35-64	17	0.6
Manitoba						
Winnipeg	CJOB (680 CJOB)	AM	Talk (News)	A35-64	3	9.2
	CJGV (99.1 Fresh Radio)	FM	Hot AC	F25-54	10	2.0
	CJKR (97.5 Big FM)	FM	Classic Rock	M25-54	7	4.3

Location	Call letter	Frequency	Format	Target Demo	Rank	Audience Share (i)
Ontario						
Barrie	CIQB (B101)	FM	CHR	A18-34	3	15.1
	CHAY (93.1 Fresh Radio)	FM	Hot AC	F25-54	3	9.2
Cambridge	CJDV (107.5 DAVE ROCKS)	FM	Rock (Mainstream)	M18-49	1	14.1
Collingwood	CKCB (95.1 The Peak FM)	FM	AC	F25-54	N/A	N/A
Cornwall	CFLG (104.5 Fresh Radio)	FM	Hot AC	F25-54	1	48.7
	CJSS (Boom 101.9)	FM	Classic Hits	A35-54	2	17.8
Guelph	CJOY (1460 CJOY)	AM	AC	A35-54	2	1.2
	CIMJ (Magic 106.1)	FM	Hot AC	F25-54	1	21.3
Hamilton	CJXY (Y108)	FM	Rock (Mainstream)	M18-49	1	12.0
	AM 900 CHML	AM	Talk (News)	A35-64	5	3.1
	CING (95.3 Fresh Radio)	FM	Hot AC	F25-54	3	5.8
Kingston	CFMK (96.3 Big FM)	FM	Classic Rock	M25-54	6	4.3
	CKWS (104.3 Fresh Radio)	FM	Hot AC	F25-54	3	11.7
Kitchener	CKBT (91.5 The Beat)	FM	CHR	F18-34	2	15.6
London	CFPL (FM96)	FM	Rock (Mainstream)	M18-49	1	20.2
	CFPL (AM980)	AM	Talk (News)	A35-64	8	4.2
	CFHK (103.1 Fresh Radio)	FM	Hot AC	F25-54	1	14.5
Ottawa	CKQB (JUMP! 106.9)	FM	Hot AC	F18-34	4	7.7
	CJOT (Boom 99.7)	FM	Classic Hits	A35-54	5	5.2
Peterborough	CKWF (The WOLF 101.5)	FM	Rock (Mainstream)	M25-54	1	34.0
	CKRU (100.5 Fresh Radio)	FM	Hot AC	F25-54	5	7.0
Toronto	CFNY (102.1 the Edge)	FM	Alternative	A18-39	5	7.6
	CILQ (Q107)	FM	Classic Rock / Hits	M25-54	2	11.6
	CFMJ (Talk Radio AM640)	AM	Talk (News)	M35-64	12	2.8

Location	Call letter	Frequency	Format	Target Demo	Rank	Audience Share (i)
Woodstock	CKDK (Country 104 FM)	FM	Country	A25-54	2	11.3

(i) Sources: Numeris SP'15 – Winnipeg, Hamilton, Kingston, Kitchener, London, Ottawa; R3'15 – Vancouver, Calgary, Edmonton, Toronto; FA'14 – Barrie, Cornwall, Guelph, Peterborough, Woodstock.

In addition to advertising revenues, Corus Radio derives a smaller portion of its revenues through non-traditional revenue sources (non-airtime). Websites have become an essential component of Corus Radio's brand awareness strategy. Corus Radio has very loyal listeners that continue to be connected to the station for the music, on-air hosts, events and information-entertainment that is featured on Corus Radio's websites. Corus Radio currently receives approximately 5.8 million visits to its 39 websites each month, with nearly 9.6 million monthly page views.

Corus Radio has a clustering strategy, pairing AM and FM radio stations to the limits allowed by the CRTC, based on the size of the market. Clustering improves operating performance by expanding demographic coverage of the market, thereby providing local and national advertisers with an attractive and efficient medium with which to allocate their advertising dollars. Clustering also provides opportunities to share costs among stations in the cluster, thereby improving operating margins.

Audio streaming through websites affords the broadcaster and the advertiser a more personal connection with the listener, which is not available through traditional radio. In early 2009, Corus Radio was the first radio broadcaster to launch an iPhone streaming application. Corus Radio's applications, designed for smartphones, have proven to be very attractive to listeners. More than 6.6 million connections per month are made to Corus Radio stations, with more than 6 million hours tuned per month. 74% of all connections to Corus Radio streams come from mobile devices and to-date, more than 240,000 people have downloaded a Corus Radio station app.

Driving greater brand loyalty by investing in digital and interactive media that provides more contact points with audiences is a key strategy for Corus Radio. Corus is a strategic partner in SoCast Inc. ("SoCast"), a developer of social relationship management (SRM) tools. SoCast's SRM tools help Corus Radio drive audience engagement and community interaction. The SoCast platform, which was recently rolled out across Corus Radio station websites, provides digital tools that leverage social media to engage more fans, increase listenership, and drive revenue. Corus Radio is actively engaged on key social media platforms. There are more than 1.6 million interactions with Corus Radio's stations on Facebook, most recently with a monthly reach of more than 120 million in October 2015. More than 450,000 users follow Corus Radio's station feeds on Twitter.

Operating Strategy

Corus believes that radio is a cost effective way for advertisers to reach targeted consumers and it delivers a significant and measurable return on investment. It's measurable, both in terms of metrics and actions by consumers. It's a business that's not capital intensive and has a long and successful record as a proven business model that creates substantial free cash flow. Additionally, Radio has a higher proportion of fixed costs than variable costs, which results in high operating leverage.

Corus Radio seeks to lead in the market with its target demographic groups. Corus Radio is competitively positioned in local markets in terms of formats, ratings and demographic appeal. It has built a growth strategy based on its strength in reaching large, local audiences in two major segments: news and information, and music programming targeted to audience segments that have significant spending power. Corus Radio's stations attract audiences that are significant in both the female and male demographics. Corus Radio is committed to controlling costs and delivering strong operating margins.

In recent years, Corus Radio has faced ratings and revenue softness. Corus management has responded by implementing a radio turnaround plan focused on growing Corus Radio's share of tuning, advertising dollars and profitability. Corus management is focused on maximizing the potential of each format within their local context, designing the best sales team and product offering for the current and future environment, and revisiting its cost structure and workflows. Corus Radio recognizes that the demand for multiple platforms which are complementary to radio will fuel future growth.

The Radio team believes that digital distribution and interactivity are key to its future success. Corus Radio will continue to leverage digital media to expand its audience and provide new opportunities to advertisers through a series of strong local websites which complement Corus' radio stations.

TELEVISION

The Television segment is comprised of specialty television networks, pay television services, three conventional television stations and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing and animation software. The Company's multimedia entertainment brands include: ABC Spark; Cartoon Network (Canada); Disney Channel (Canada) (launched September 1, 2015), Nickelodeon (Canada); OWN: Oprah Winfrey Network (Canada); Sundance Channel (Canada); TELETOON; Treehouse; W Network; W Movies; YTV; Historia and Séries+ (acquired January 1, 2014); La chaîne Disney (launched September 1, 2015); TÉLÉTOON; Corus' western Canadian pay television services (Movie Central, including HBO Canada and Encore Avenue); three conventional television stations serving Peterborough, Kingston and Durham; the Corus content business including Nelvana (production and distribution of films and television programs, and merchandise licensing), Kids Can Press (publishing) and Toon Boom (animation software); the Company's majority interest in CMT (Canada), CosmopolitanTV, and Telelatino (TLN, EuroWorld Sport, Mediaset Italia, Sky TG24, Teleniños, Univision (Canada) (formerly TLN en Español), Teleshop).

Description of the Industry

Specialty and Pay Television Networks

Broadcasting distribution undertakings ("BDUs") reported collectively to the CRTC that there were approximately 11.6 million subscribers to television programming services in 2014. There were approximately 8.8 million cable and Internet protocol television ("IPTV") subscribers and 2.6 million direct-to-home ("DTH") satellite and multipoint distribution systems ("MDS") subscribers.

Specialty and pay television networks, along with pay-per-view ("PPV") and video-on-demand ("VOD"), generated \$4.2 billion of combined advertising and subscriber revenues in 2014. Specialty and pay television networks are available to those Canadians who subscribe to the service package of a particular BDU (i.e. cable television, IPTV, DTH satellite or MDS). Specialty television networks provide special interest, news, sports, arts and entertainment programming, while pay television networks provide commercial-free movies, series and special event programming.

Specialty and pay television networks each obtain revenues by charging a monthly subscriber fee to cable television providers, IPTV providers and DTH satellite operators. Subscriber fees are the sole source of revenues for licensed pay television services, while specialty television networks can also generate advertising revenues unless prohibited under their CRTC conditions of license.

The amount of the subscriber fee is specified in the network's agreement with the BDU. Since all subscribers receive at least basic service, specialty television networks that are carried on a basic tier typically have a much higher number of subscribers. The number of subscribers for a specialty network on a discretionary tier depends primarily upon pricing and subscriber preference. A specialty television network's subscriber penetration will also benefit from the extent to which it is packaged or tiered with other popular specialty television networks. As a consequence, discretionary specialty television networks that are popular, or are otherwise packaged with popular specialty television networks, can generally be priced at rates above those for specialty television networks carried on basic service.

Specialty television networks appeal to advertisers seeking highly targeted demographics. The CRTC limits national advertising to 12 minutes or less an hour for specialty services but does not regulate advertising rates, and specialty television networks are not required to share a portion of their advertising revenues with the BDUs. According to the CRTC, television advertising in 2014 totaled approximately \$3.4 billion in Canada. Specialty and pay television networks, along with PPV and VOD, received a 37% share of total television advertising revenues, or approximately \$1.2 billion in 2014, compared to approximately \$1.3 billion or a 38% share of total television advertising revenues in 2013.

Over the past decade, Canadian specialty and pay television networks have experienced subscriber growth due to advances in cable-based delivery systems and the growth of DTH satellite services and IPTV providers. In 2014, subscriber revenues for specialty and pay television services of \$2.5 billion was up 6.9% from 2013.

Conventional Television

Conventional television stations are licensed by the CRTC and provide over-the-air broadcast television signals to viewers within a local geographical market or on a network basis. In addition to receiving conventional television signals off-air, the majority of Canadian viewers have access, either directly or through a BDU, to the television signals of U.S. border stations, which are generally affiliated with one of the four U.S. commercial networks (*ABC, NBC, CBS and Fox*) and a Public Broadcasting Service station. The CRTC mandates that Canadian BDUs must distribute the signal of a local or regional conventional station in place of the signal of a foreign television station when the two stations are broadcasting identical programming simultaneously. This is referred to as simultaneous substitution. Canadian conventional television stations generate revenue from advertising and receive no subscription revenues. There is no limit to commercial messages that a conventional television station may broadcast. The success of conventional television is dependent on the quality of programming, which results in audience ratings that, in turn, attract advertisers to a station or network. Since August 31, 2011, over-the-air television stations in certain areas stopped broadcasting analog signals and started broadcasting digital signals.

Production and Distribution

Demand for animated children's programming remains strong, however, kids are consuming content differently. The launch of numerous segmented networks in the North American television broadcasting industry has provided viewers with greater channel selection. There are now numerous television networks around the world that broadcast dedicated children's programming blocks and other programming exclusively for children. Also, over-the-top ("OTT") platforms such as *Netflix, Amazon Prime and Hulu* are becoming increasingly popular with children.

The expansion of digital platforms is increasing the demand for content from producers and distributors that focus on children's content. Viewing on these digital platforms is growing and the platforms represent an important new category of buyers for children's content. Conversely, according to industry sources the physical home video market is in decline due to the rise of electronic home video. In 2015, North American electronic home video revenue exceeded physical home video revenue. North American physical home video is expected to decline by an 8.9% Compound Annual Growth Rate ("CAGR") between 2014 and 2019. On the other hand, North American OTT revenue, which is a part of electronic home video revenue, is expected to grow by 17.8% (CAGR) between 2014 and 2019.

According to industry sources, total global spending on filmed entertainment, which includes feature films, video, television shows, animation and other programming worldwide, is expected to grow from an estimated US\$85.4 billion in 2014 to US\$104.6 billion in 2019.

Merchandising

The sale of licensed entertainment merchandise is a multi-billion dollar industry. According to industry sources, in 2014, retail sales for licensed goods was more than \$144 billion in the United States and Canada. Character and Entertainment was the most dominant category.

Publishing

According to industry sources, global consumer and educational book publishing sales were US\$97.7 billion in 2014, which was up 0.6% compared to 2013. However, the global consumer and educational electronic book segment rose by 26.2% in 2014. Global electronic consumer and educational book sales are expected to grow by 15.0% CAGR between 2014 and 2019.

Animation Software

Concurrent with advancements in technology, animation software is now available to everyone, from home users to creative professionals. Demand for animated content and therefore, animation software, has increased with growth in the number of television networks dedicated to animated content as well as growth in digital platforms such as the Internet.

Digital Technology

Technology is driving more consumer change today than ever before, by allowing consumers to access content anywhere, anytime. Mobile platforms, from smartphones to tablets, are growing quickly. The applications market offers a viable business model for new media and social networking has become a driving force in marketing, community and communications.

A trend in the television sector is the introduction of innovative products and services tailored to the digital environment. TV broadcasters and BDUs have turned to mobile platforms, commonly referred to as “TV Everywhere” platforms to increase the value proposition of traditional television and reduce the amount of “cord cutting”, which is when customers drop their television subscription in favour of accessing content through OTT, over-the-air or other on-demand services. TV Everywhere platforms allow television customers to access content through internet-based services such as apps.

Competitive Conditions

Advertising revenues

According to the CRTC, in 2014, the Canadian specialty television networks collectively generated \$1.2 billion of specialty advertising revenues. Total TV advertising revenues were \$3.4 billion in 2014. Numerous conventional and specialty television networks compete with Corus for advertising revenues. Corus’ television networks face competition for advertising dollars with several other forms of media including print, outdoor, radio and digital. Digital advertising has grown significantly and now accounts for the largest share of advertising spending in Canada. Corus’ conventional television stations compete principally for viewers and advertisers with all television stations that broadcast in central and eastern Ontario.

Subscriber revenues

The CRTC reported that in 2014, Canadian specialty and pay television networks collectively generated \$2.5 billion of subscriber revenue. Corus pay television networks in western Canada provide premium movies and series, while also offering classic movies to subscribers. These networks compete with pay-per-view movie offerings as well as video-on-demand offerings. In addition, competition among specialty television services in Canada is highly dependent upon the offering of discount and new customer prices, marketing and advertising support, and other incentives to BDUs for carriage. These offers and incentives are designed to favourably position and package the services to subscribers so as to ultimately achieve higher distribution levels. Increasingly, Corus’ specialty and pay television networks are competing with OTT players that are not regulated by the CRTC. OTT platforms have gained traction in Canada and are having a significant impact on specialty and pay television networks by increasing competition for compelling programming and for subscribers. Corus’ television services also compete with a number of foreign programming networks which have been authorized for distribution in Canada by the CRTC, such as *TLC*, *A&E* and *AMC*. Recently announced regulatory changes as a result of the CRTC’s “Let’s Talk TV” process may significantly impact the competitive landscape. Refer to the Canadian Radio-television and Telecommunications Commission section for details on the regulatory changes.

Programming expenditures

Programming costs are the largest expense for Corus Television. Corus strategically manages its spending to maximize the return on investment for its programming investments.

Content business

The production and distribution of children's television, books and other media content is very competitive. There are numerous domestic and international suppliers of media content, including vertically integrated major motion picture studios, television networks, independent television production companies, toy companies and children's book publishers. Many of these competitors are significantly larger than Corus and have substantially greater resources, including easier access to capital. Corus competes with other television and motion picture production companies for ideas and storylines created by third parties, as well as for actors, directors and other personnel required for a production.

Further, vertical integration of the television broadcast industry worldwide, and the creation and expansion of new networks which create a substantial portion of their own programming, have decreased the number of available timeslots for programs produced by third-party production companies.

Publishing

Canadian publishers face difficult market conditions. The rapid acceptance of electronic publishing, such as e-books, is transforming the industry. Electronic publishing tends to favour large multinational corporations that have the financial capacity to exploit new technology. Canadian publishers must also compete with large multinational publishers on price. Large multinationals have lower costs due to significant economies of scale. Also, the consolidation of retail outlets in Canada has meant less shelf space for Canadian books.

Business Overview and Operating Strategy

Corus has the following interests in specialty and pay television networks, which broadcast in Canada as at November 9, 2015:

Network	Nature of Service	Equity Interest
YTV	Children/Family	100%
Treehouse	Preschool children/Parents	100%
W Network	Lifestyle and entertainment geared to women	100%
Country Music Television (Canada)	Country music/Country lifestyle	80%
OWN: Oprah Winfrey Network (Canada)	General entertainment dedicated to women, bringing them stories that entertain, engage and enlighten	100%
Telelatino (including: TLN, EuroWorld Sport, Mediaset Italia, Sky TG24 (Canada), TeleNiños, Univision (Canada), Telebimbi)	A mix of English, Italian and Spanish language content in all genres.	50.5%
Disney Channel (Canada) (launched September 1, 2015),	Children/Family	100%
La chaîne Disney (launched September 1, 2015)	Children/Family	100%
TELETOON	English-language Children/Family/Adult animation	100%

TELETOON	French-language Children/Family/Adult animation	100%
Historia	French-language history	100%
Séries+	French-language series	100%
Movie Central	Premium movies and series	100%
Encore Avenue	Classic movies	100%
Nickelodeon (Canada)	Children/Family	100%
Cartoon Network (Canada)	Children/Family/Adult animation	100%
ABC Spark	Millennials/Family	100%
Cosmopolitan TV	Lifestyle and entertainment geared to working women aged 18 to 49	54%
W Movies	Movies geared to women	100%
Sundance Channel (Canada)	Diverse movies, festival-selected shorts, documentaries and innovative original series	100%

Corus Kids Vertical

Business Overview

The Corus Kids vertical includes the specialty television networks YTV, Treehouse, Nickelodeon (Canada), Disney Channel (Canada) (launched September 1, 2015), TELETOON (English), TELETOON Retro (English)(discontinued August 31, 2015), Cartoon Network (Canada) and Corus' children's animation production and distribution business, Nelvana. In December 2015, Corus will launch Disney Junior (Canada) and Disney XD (Canada). Corus launched a suite of TV Everywhere apps for several of its networks in 2015, including TreehouseGO, YTVGo, NickGO and WATCH Disney Channel.

The specialty television networks in this vertical feature a variety of genres targeting a broad range of audiences, including preschoolers aged 2-5, children aged 6-11 and their families, as well as millennials and young adults aged 18-49 on TELETOON at Night. The networks offer a robust lineup of original Canadian series, exclusive U.S. series and blockbuster movies which drive the successful family viewing strategy (kids and their families watching TV together).

YTV is dedicated to programming for children and youth up to 17 years of age and their families. YTV has the highest average monthly reach of any Canadian English specialty network for Kids 2-11, capturing an average of 1.9 million English Canadian Kids aged 2-11 monthly, according to 2014/2015 broadcast year data (Numeris TV Meter). This network reaches children across multiple platforms with live events and digital initiatives including ytv.com.

Treehouse is Canada's pre-eminent preschool network, offering a trusted, commercial-free television environment, with preschool programming that reflects the interests and developmental stages of kids aged 2-5. Among Canadian English specialty channels, Treehouse broadcasts the top 7 of 11 and the top 11 of 22 programs for kids aged 2-5 in Canada, according to 2014/2015 broadcast year data (Numeris TV Meter).

TELETOON is a Canadian specialty television network featuring a wide range of animation programming in all forms and is available in both English and French. TELETOON features animated comedy for kids and young adults.

Built on the successful U.S. brand, Cartoon Network (Canada) offers a unique and diverse slate of entertainment experiences through hilarious animated content for kids aged 6-11.

Nickelodeon (Canada) features a lineup of iconic and award-winning Nickelodeon properties, from current live-action comedies and animated favourites to classic hits. Nickelodeon Canada is geared towards viewers aged 2-11 and their families.

Disney Channel (Canada) is a 24-hour kid-driven, family-inclusive television network that taps into the world of kids and families through original series and movies. The network targets kids aged 6-14 and family viewing.

Nelvana distributes programming that has been developed and produced by its award-winning animation studio to broadcasters in over 160 countries, including some of the world's leading networks, such as Nickelodeon, Disney Channel, Cartoon Network, ITV in the United Kingdom and TF1 in France. Programming is distributed through three sales and distribution offices located in Toronto, Canada; Limerick, Ireland and Paris, France.

At August 31, 2015, Nelvana's program library totaled over 4,200 half-hour equivalent episodes, comprising 88 animated television series, 18 specials, 10 animated feature length films and 15 live action series. The Canadian television market accounts for 33% of production and distribution revenues in fiscal 2015, compared to 49% from the U.S. market and 18% from the international market.

Nelvana's merchandising business has achieved recognition and popularity worldwide with its portfolio of legacy brands including Beyblade, Franklin and Babar and emerging properties such as Little Charmers. Nelvana's merchandising efforts focus on building successful brand extensions and consumer products programs domestically and internationally, covering major product categories including toys, apparel, book publishing and interactive products.

Operating Strategy

Corus Kids has optimized its portfolio to provide kids with eight highly differentiated services, each targeted to specific ages and stages of their lives. The portfolio approach enables Corus Kids to strategically deploy its programming across the services to maximize audiences and return on its investment in content. With the enhanced scale of Corus Kids' premium portfolio of home grown and world-class brands, Corus Kids has fortified its position to compete successfully in an increasingly competitive marketplace. Internal research reveals that Corus Kids' portfolio of services reaches 90% of Canadian kids and 9 out of 10 moms with kids under 12 on a monthly basis, giving it the same scale as the market leader, conventional TV. Television is viewed by parents as quality family time and it's one of the top three activities that they enjoy with their children. Corus Kids has a front row seat in the family room, which resonates with advertisers.

Corus Kids has made it a priority to own and control more content. The integration of Corus' Kids specialty television networks, production and distribution, and merchandising generates the "Corus Advantage" which has allowed the Company to build a leading position in the kids' entertainment marketplace. Due to the "Corus Advantage", the Company has the means to build kids brands that resonate not only with children in Canada, but around the world. The Nelvana library, combined with acquired rights, allows Corus Kids to participate in the growth of non-linear revenues in a meaningful way. Investment in new production brands allows Corus Kids the opportunity to expand its merchandising portfolio, increasing the chances of creating global hit properties.

Corus Kids has fostered strong partnerships with key global kids partners that include Disney, Nickelodeon, Cartoon Network, Sony Pictures Animation, Amazon, Hulu, Netflix, Mattel, Hasbro and Spin Master. The extent and strength of these partnerships gives Corus a unique strategic advantage in its efforts to expand its global distribution and merchandising businesses.

With the launch of a suite of TV Everywhere apps for smartphones and tablets, Corus Kids is directly engaging with its audiences and responding to the evolving content consumption habits of fans. TreehouseGO, launched in June 2015, ensures that Corus' content is everywhere consumers are and it's always available to them whenever and wherever they want it. TreehouseGO offers kids the flexibility to watch their favourite entertainment on-the-go and enjoy the same rich entertainment experience Canadian audiences have come to expect from Canada's #1 television brand for young kids. In September 2015, Corus introduced three additional TV Everywhere apps, YTVGo for fans of its homegrown flagship brand, WATCH Disney Channel, launched in tandem with the new Disney Channel, and NickGO. These new apps leverage the full spectrum of Corus Kids digital rights to ensure a highly interactive and immersive brand experience for its channels' subscribers.

Corus Women and Family Vertical

Business Overview

Corus' Women and Family vertical includes the specialty television networks W Network, Cosmopolitan TV, OWN: Oprah Winfrey Network (Canada), W Movies, CMT (Canada), ABC Spark and the Sundance Channel (Canada). Each of these channels target a specific audience, from women looking to be entertained (W Network) to moms and families (CMT and ABC Spark).

W Network is the go-to television destination for women. Watched by over 11 million viewers in an average month, W Network delivers compelling entertainment for women, ranging from key original programming such as *Property Brothers* and *Love It or List It*, to blockbuster movies and popular dramas.

OWN: Oprah Winfrey Network (Canada) offers a stellar lineup of original series and specials that focus on educating, entertaining, informing and inspiring viewers to live their best lives. The network focuses on women aged 25-54.

Country Music Television (Canada) ("CMT") is dedicated to exhibiting country music videos and original specials, a prime-time lineup of original programming including *Tornado Hunters* and *Ice Racer Showdown*, and popular acquired series, movies and specials.

CosmopolitanTV promises fun, flirty and irreverent entertainment for women. CosmopolitanTV programming runs the gamut from comedy to drama to relationship and reality programming that is geared towards women aged 18-49.

ABC Spark is a millennial-focused channel built on the success of the Disney/ABC Television Group network ABC Family. ABC Spark was launched on March 26, 2012, and is one of Corus' fastest growing networks.

W Movies is the destination for women looking for smart, fun and engaging films. The network showcases films for and about women, with genres ranging from romance and comedy, to drama and suspense.

Sundance Channel (Canada) offers a lineup of award-winning, diverse and engaging titles, featuring the best in feature films, festival-selected shorts, documentaries and innovative original series.

These channels provide a powerful flanking strategy for W Network, enabling Corus' advertisers to reach a diverse cross section of women with their messages.

Operating Strategy

Corus' Women and Family vertical has achieved a leadership position in the women's genre and is well known as an expert for marketing to women in Canada. This is a result of delivering compelling content that connects with its audiences and key original programming that can only be found on Corus' networks. This is important because recent internal research indicates that approximately 90% of household purchase decisions are made by women across an array of categories from consumer packaged goods to financial institutions.

Corus' Women and Family vertical is focused on owning more content. Demand for this content has increased, leading to growth in the market. Original Canadian productions drive performance in the Women and Family vertical and, by owning more original content, Corus' Women and Family vertical will participate more fully in the hits that they create. Tapping into Corus' expertise in content creation, distribution and broadcasting, Corus' Women and Family vertical is now expanding into a new segment, developing an owned slate of unscripted lifestyle programming in the Women's arena to distribute globally. Its new slate of factual reality series was introduced to the international market at MIPCOM in October 2015. Corus announced that it had secured U.S. deals for two of its reality series with sales of *Cheer Stars* to ABC Family and *Masters of Flip* to Scripps Networks. These sales underscore the global appeal of Corus' unscripted content and represent the first in a growing slate of programming targeted to women that it will be licensing internationally.

Corus' Women and Family business has relationships with some of the most influential media companies in the world, including joint ventures or licensing agreements with The Walt Disney Company, Viacom Inc., Hearst Corporation, AMC Networks, Discovery Communications and Harpo Productions. The Company is

focused on supporting its existing relationships and exploring new relationships with other prominent media companies to help grow this vertical in the future.

Corus' Women and Family vertical is continually exploring new platforms to help grow the vertical. In September 2014, the Company announced a strategic investment in Kin Community, a leading multichannel network for Women's lifestyle content on YouTube. The partnership allows the Women and Family vertical to leverage the combined reach of its complementary brands, as well as jointly develop and utilize compelling, short-form premium-branded content. By partnering with Kin's top-tier influencers and talent-driven channels, Corus' Women and Family vertical is able to connect with women and women's advertisers wherever they are consuming their entertainment.

Corus Média and Conventional TV Vertical

Business Overview

The Corus Média and Conventional TV portfolio includes the French-language specialty channels Historia, Séries+, TÉLÉTOON (French), TÉLÉTOON Retro (French) (discontinued August 31, 2015), La chaîne Disney (launched September 1, 2015) as well as three English-language conventional over-the-air television stations serving Peterborough, Kingston and Durham, Ontario.

Historia is a French-language channel dedicated to Quebec and world history. Historia offers a lively foray into the past, with a definitive modern perspective. Séries+ is a French-language channel that offers a wide choice of popular Canadian and American series, as well as exclusive foreign series. Historia and Séries+ are each distributed in over 2 million homes and are leading channels with their core demos.

TÉLÉTOON (French) is an extension of the highly successful English Channel TELETOON and is distributed in close to 2 million homes.

On September 1, 2015, La chaîne Disney launched for the first time in Canada. With the launch of this iconic brand, Canadian families will now have access to the full Disney experience with an extensive slate of world-class content delivered across platforms.

Corus owns three local conventional television stations in Ontario serving Kingston, Peterborough and Durham. Each station acquires news and other programming from the CTV Television Network. The Corus local conventional television stations are eligible to receive the Small Market Local Programming Fund ("SMLPF").

Operating Strategy

The Corus Média vertical invests in key content and strategic output deals that drive ratings growth. Along with acquiring great content, Corus Média leverages the Quebec star system, particularly with original programming, to increase ratings and grow revenues.

Corus believes that the Quebec market offers growth opportunities. Corus Média's existing assets have built a strong foundation for growth in Quebec. Corus Média is committed to identifying new channel opportunities, whether it is adapting existing Corus brands for the Quebec market or acquiring new brands.

The Conventional stations are committed to being a reflection of the local community they serve through the coverage of news, weather, sports and community events. On May 20, 2015, Corus announced that it entered into a comprehensive program supply arrangement with Bell Media's CTV, marking a new chapter for Corus' local television channels in Eastern Ontario. This arrangement results in Corus' three channels – CHEX-TV in Peterborough, Channel 12 in Oshawa and CKWS-TV in Kingston – broadcasting news, sports, information and entertainment programming from Bell Media's top-rated network, CTV, effective August 31, 2015. CHEX-TV, Channel 12 and CKWS-TV will launch new broadcast schedules featuring a slate of CTV favourites including hit series *The Amazing Race Canada* and *MasterChef Canada*, to name a few. With this arrangement, CTV's one-hour daily national news program, *CTV National News with Lisa LaFlamme*, will be integrated into the programming lineup along with the current local daily *Newswatch* newscasts.

Corus Pay Television Vertical

Business Overview

The Corus Pay TV services operate under two separate CRTC licenses, Movie Central and Encore Avenue. Movie Central and Encore Avenue provide commercial-free television services in western Canada, featuring blockbuster movies, series and specials. Each channel broadcasts commercial-free, 24-hours-a-day, seven days a week. Movie Central consists of four main multiplexes offered in both standard definition and high definition. HBO Canada is part of these multiplex channels and exclusively delivers the full slate of HBO's award-winning, genre-defining series, films, comedies and live events. On September 4, 2014, Corus announced a landmark multi-year, multi-platform deal with HBO that will see HBO Canada also exclusively deliver the entire past-season library of every HBO scripted series currently on air. Encore Avenue consists of two main multiplexes offered in standard definition and high definition and its license stipulates that programming must be older than three years of age.

Operating Strategy

The vertical is focused on creating subscriber demand by growing the premium Pay TV value proposition. Pay TV delivers value to the consumer by securing output agreements with major studios for exclusive first windows on blockbuster feature films and HBO's top-rated series. This premium content is not only offered exclusively in HD but also on demand and across all platforms which further enhances the value proposition and reduces churn. The Pay TV vertical continues to innovate with its partners to drive subscriber growth through packaging and offers. The Pay TV vertical is dedicated to building new and innovative ways to package and price the Pay business. Innovative packaging and pricing are intended to increase penetration rates with BDUs, which should drive revenue growth.

Other

Telelatino

Telelatino is a group of ethnic specialty television networks that offers general interest domestic and international programming in the Italian, Spanish and English languages.

Kids Can Press

Kids Can Press, part of the Corus Entertainment family, is the largest Canadian-owned children's publisher. Its catalog includes an award-winning list of over 700 picture books, non-fiction and fiction titles for young readers. For over forty years, Kids Can Press has distinguished itself as a publisher of high-quality children's books and continues this tradition with its digital publications, custom publishing partnerships and brand marketing initiatives.

Toon Boom

Toon Boom is a leader in digital content and animation creation solutions, with a worldwide sales, distribution and support network, selling its products in more than 120 countries. Toon Boom carries user-friendly applications for all, catering to children, home users, creative professionals as well as students, educators and schools.

Corus Quay/Quay Media Services

The Company's state-of-the art facility at Corus Quay is playing a major role as a highly flexible platform, enabling the delivery of Corus' premium content to its BDU partners in whatever format they want. Corus has the capability and the flexibility to deploy its content in any form, on any platform, and in numerous languages. Corus has made all of its signals available in High Definition and continues to aggressively roll out more of its content on VOD platforms.

On September 16, 2015, Corus announced that it is expanding the technology service offerings of its broadcast business with the creation of Quay Media Services. As part of this expansion, Corus also announced the acquisition of Canadian-based closed captioning company, FastFile Media Services, one of the largest entertainment accessibility providers in Canada. Leveraging the advanced technological capabilities of Corus'

media and broadcast facility, Quay Media Services offers a robust suite of services that include linear television broadcast, signal origination and master control play out and delivery, production facilities, media asset management and encoding/transcoding for both domestic and international customers. The acquisition of FastFile bolsters Quay Media Services' offerings with closed captioning, described video and subtitling capabilities.

ADDITIONAL INFORMATION CONCERNING CORUS' BUSINESSES

a) Intangible Properties

Corus uses a number of trade marks, service marks and official marks for its products and services. Many of these brands and marks are owned and registered by Corus, and those trade marks that are not registered are protected by common law. Corus also licenses certain marks from third parties. Corus has taken affirmative legal steps to protect its owned and licensed trade marks, and Corus believes its trademark position is adequately protected. The exclusive rights to trade marks depend upon the Company's efforts to use and protect these and Corus does so vigorously.

Distribution rights to television programming and motion pictures as well as ancillary rights are granted legal protection under the copyright laws and other laws of Canada, the United States and most foreign countries. These laws impose substantial civil and criminal sanctions for the unauthorized duplication and exhibition of television programming. Corus believes that it takes, and plans to continue taking, all appropriate and reasonable measures to secure, protect and maintain or obtain agreements from licensees to secure, protect and maintain copyright and other legal protections for all of the television programming produced and distributed by Corus under the laws of all applicable jurisdictions.

Corus can give no assurance that its actions to establish and protect Corus' trade marks and other proprietary rights will be adequate to prevent imitation or copying of its filmed and animated entertainment by others or to prevent third parties from seeking to block sales of its filmed and animated entertainment as a violation of their trade marks and proprietary rights.

Moreover, Corus can give no assurance that others will not assert rights in, or ownership of, its trade marks and other proprietary rights, or that Corus will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States and Canada.

Corus also licenses copyright materials by way of direct contracting or through blanket licensing regimes. The tariffs for blanket licenses are established by the Copyright Board in Canada. Although the amount of a blanket license is set by this third party regulator, the system provides certainty as to cost and also a modicum of immunity from claim for innocent infringements due to the presumptions of right to use works that flow with the imposition of these tariffs.

The Company operates a comprehensive clearance and rights management system to both protect its rights and to ensure that works that Corus uses have the requisite clearances or licenses from the owners. A key element of contracts for copyright works is the term or time period of the license granted, which in the broadcasting sector can vary, but usually is for a time period such as one to three years. In some circumstances, the time period is combined with a right to only a certain number of "plays" or broadcasts. Rights management in a digital business environment is becoming increasingly complex due to challenges with definitions, semantics and taxonomic issues related to contractual rights.

b) Seasonality and Cycles

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. The Company's advertising revenues are dependent on general advertising revenues and retail cycles associated with consumer spending activity. The first and third quarter results tend to be the strongest and the second and fourth quarter results tend to be the weakest in a fiscal year. The Company's merchandising and distribution revenues are dependent on the number and timing of film and television programs delivered as well as the timing and level of success achieved of associated merchandise licensed in the market, which cannot be predicted with certainty. Consequently, the Company's results may fluctuate

materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

c) Economic Dependence

Corus' operating results for the Company's broadcasting businesses are not dependent upon any single customer or upon a few customers with respect to revenues from advertisers.

Corus Television's pay television services are solely dependent on subscriber fees. The major BDU partners for these services are Shaw Cable, Bell TV, Shaw Direct and Telus.

The Company's regulated properties operate in a competitive environment with both regulated and unregulated competitors. New competition always poses a risk to the Company's revenue streams. The regulatory environment is more fully explained below.

d) Environmental Protection

Corus' operations do not have any significant impact on the environment. Corus has not made, and does not anticipate making, any significant capital expenditures to comply with environmental regulations.

e) Employees

As at August 31, 2015, Corus had approximately 1,900 employees. The Company operates in a non-union environment except for approximately 85 employees in conventional television and radio who are members of Unifor.

f) Foreign Operations

Approximately 5% of Corus' consolidated revenues for the year ended August 31, 2015 were derived from foreign operations. These consist primarily of revenues from the Company's international content distribution business and merchandising.

g) Lending

Corus does not have any lending operations as a distinct or significant business. Corus may make loan investments in companies involved in the media sector of up to \$5 million with the approval of the chief executive officer ("CEO") or the chief financial officer ("CFO") and more than \$5 million with the approval of the Board of Directors.

h) Bankruptcy

There have been no bankruptcies, receiverships or similar proceedings against Corus or any of its subsidiaries within the past three years.

i) Reorganizations

In fiscal 2013, the Company undertook a restructuring to realign the organizational structure and incurred certain costs related to pending business combinations. This resulted in the Company recording a charge of \$7.3 million in fiscal 2013.

In fiscal 2014, the Company incurred \$14.9 million in restructuring costs related to the organizational structure realignment and the integration of recent business acquisitions.

In fiscal 2015, the Company incurred \$19.0 million of business acquisition, integration and restructuring costs.

j) Social or Environmental Factors

Corus is committed to fair dealing, honesty and integrity in all aspects of its business conduct. The Company takes its responsibility to its employees, shareholders and other stakeholders very seriously. The Company's Code of Business Conduct (the "Code") aims to demonstrate to its stakeholders and the public the Company's commitment to conduct itself ethically.

The Code applies to all employees, officers and members of the Board of Directors of Corus and its subsidiary companies. The Code is available on the Corus Entertainment website at www.corusent.com under the Investor Relations section.

k) Risk Factors

A discussion of risks affecting the Company and its business is set forth under the heading “Risks and Uncertainties” in the Management’s Discussion and Analysis for the year ended August 31, 2015, as contained in the Company’s 2015 Annual Report, which discussion is incorporated by reference herein. In addition, the Company is subject to the risks and uncertainties set forth below in the discussion of the Canadian communications industry’s regulatory environment.

These descriptions of risks do not include all possible risks, and there may be other risks of which the Company is currently not aware.

l) Control of Corus by the Shaw Family

A majority of the outstanding Class A participating shares of the Company are held by entities owned by Shaw Family Living Trust (“SFLT”) for the benefit of descendants of JR and Carol Shaw. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including as at November 9, 2015, JR Shaw as chair and five other members of his family.

The Class A participating shares are the only shares entitled to vote in all circumstances other than those listed under Capital Structure (ii) Voting Rights. Accordingly, SFLT is able to elect a majority of the Board of Directors of Corus and to control the vote on matters submitted to a vote of Corus’ Class A participating shareholders.

CANADIAN COMMUNICATIONS INDUSTRY - REGULATORY ENVIRONMENT

Canadian Radio-television and Telecommunications Commission (“CRTC”)

Under the *Broadcasting Act* (Canada), the CRTC is responsible for regulating and supervising all aspects of the Canadian broadcasting system with a view to implementing broadcasting policy objectives set forth in the *Broadcasting Act*. The regulations, policies and decisions of the CRTC can be found at www.crtc.gc.ca.

Changes in the regulation of Corus’ business activities, including decisions by regulators affecting the Company’s operations (such as the granting or renewal of licenses; decisions as to the rights to programming licenses to competitors in the Company’s markets) or changes in interpretations of existing regulations by courts or regulators, could adversely affect the Company’s results of operations. The Company’s CRTC licenses must be renewed from time to time and cannot be transferred without regulatory approval.

As the introduction of digital technology is changing the technical infrastructure of entertainment and information consumption, the CRTC has adopted a new framework for regulation of specialty television.

The CRTC has also introduced policies related to vertically integrated companies that are BDUs that speak to matters such as undue preference and other carriage issues.

In 2011, the CRTC also adopted a “group based licensing” approach for the renewal of the television licenses of larger groups such as Corus. This established a framework of policy and regulation that is applied on a group basis rather than on an individual licensee.

A series of policy statements and substantive decisions from the CRTC, under the overall mantle known as “Let’s Talk TV”, have introduced several changes to the regulatory framework governing Broadcasting Distribution Undertakings (“BDUs”) and Broadcasting Undertakings. Some of these could affect the Company.

What follows is a précis of changes that could affect the Company. The reader should review the CRTC source documents at www.CRTC.gc.ca for a complete understanding of the proposed changes.

On January 29, 2015, the CRTC asked the industry to examine the process of simultaneous substitution of US network stations by Canadian stations carrying the same program at the same time. The Commission also suggested that substitution of the NFL Super bowl would be prohibited in 2017. This ban has been subject to a legal challenge by the Canadian rights holder network CTV which will supply the Company's local broadcast stations with programming as of August 30, 2015.

On March 12, 2015, the CRTC eliminated genre protection which allows the Company to adapt the nature of service for its television services according to market conditions. The Commission also established on this date an open entry licensing system with Canadian ownership status and carriage in more than 200,000 subscribers being effectively the only conditions required to be licensed as a Broadcasting Undertaking. The Commission also proposed an open entry system for video on demand services that meet certain criteria.

On March 19, 2015, the CRTC issued a policy statement regarding the revision of the carriage rules for adoption by BDUs.

The proposals include requiring BDUs to offer an entry level basic service of local broadcast stations and certain mandatory distribution specialty services at a maximum price of C\$25 retail a month. This will commence March 2016.

The Commission also proposed to group all services into three license categories: basic; discretionary; and on-demand services.

Through the month of March 2016, BDUs will be required to offer all discretionary services on an à la carte basis, or "build your own package" or in theme pack packages of 10 services.

On December 1st 2016, BDUs will be required to expand consumer choice to pure à la carte.

However, the BDU can offer, and a consumer can maintain, their status quo packages. The Commission also proposed an oversight over wholesale pricing and negotiations related thereto but the final policy is not yet in effect and it remains to be seen how this will unfold.

The Commission also proposed changes to the level of linear Canadian Content requirements to commence in 2017. This would reduce the obligations of the Company's services.

On March 26, 2015, the Commission published a draft Television Service Provider Code of Conduct and requested comments. This code mandates clear language on customer agreements, transparency in charges, promotion of new packaging rules, service call scheduling, and rebates for service outages.

On July 9, 2015, the Commission published draft Broadcasting Distribution Regulations for public comment. These draft amendments were to implement the carriage provisions of the Let's Talk TV policies published earlier in the year.

On September 24, 2015, the CRTC published the Wholesale Code. The CRTC stated its goals for the code: *"The Wholesale Code governs certain aspects of the commercial arrangements between broadcasting distribution undertakings (BDUs), programming undertakings, and exempt digital media undertakings. It will ensure that subscribers have greater choice and flexibility in the programming services they receive, that programming services are diverse, available and discoverable on multiple platforms, and that negotiations between programming services and BDUs are conducted in a fair manner."*

The potential outcome of this process is difficult to predict and as such, Corus is unable to quantify the potential impacts at the present time. These could be materially adverse to Corus' financial results.

More information can be found at www.crtc.gc.ca.

Industry Canada

The technical aspects of the operation of radio and television stations in Canada are also subject to the licensing requirements and oversight of Industry Canada, a Ministry of the Government of Canada. More information can be found at www.ic.gc.ca/eic/site/icgc.nsf/eng/home.

Restrictions on Non-Canadian Ownership

The legal requirements relating to Canadian ownership and control of broadcasting undertakings are embodied in a statutory order (the "Order") from the Governor in Council (i.e. Cabinet of the Canadian federal government) to the CRTC. The Order is issued pursuant to authority contained in the *Broadcasting Act*. Under the Order, non-Canadians are permitted to own and control, directly or indirectly, up to 33 1/3% of the voting shares and 33 1/3% of the votes of a holding company which has a subsidiary operating company licensed under the *Broadcasting Act*. In addition, up to 20% of the voting shares and 20% of the votes of the operating licensee company may be owned and controlled, directly or indirectly, by non-Canadians. The Order also provides that the Chief Executive Officer and 80% of the members of the board of directors of the operating company must be resident Canadians. In addition, where the holding company is less than 80% Canadian-owned, the holding company and its directors are prohibited from exercising any control or influence over the programming decisions of a subsidiary operating company. There are no restrictions on the number of non-voting shares that may be held by non-Canadians at either the holding company or licensee operating company level. The CRTC, however, retains the discretion under the Order to determine as a question of fact whether a given licensee is controlled by non-Canadians.

The Company's articles currently give its Board of Directors the authority to restrict the issue, transfer and voting of its Class A participating shares and the transfer of its Class B non-voting participating shares for the purpose of ensuring that Corus remains qualified to hold or obtain licenses to carry on any broadcasting or programming business.

Broadcasting Services

Corus' radio stations and conventional television undertakings, specialty and pay television networks are subject to licensing and regulation by the CRTC. The *Broadcasting Act* gives the CRTC the power to issue and renew broadcasting licenses for a maximum term of seven years. Historically, all licenses issued by the CRTC have been consistently renewed except where there have been serious breaches of license conditions or regulations, in which case the licenses have been renewed for less than seven years, or, in a very limited number of instances, not at all. In order to conduct its business, Corus maintains its licenses in good standing. The CRTC has never declined to renew a license held by any broadcasting undertaking in which Corus holds an ownership interest.

Licenses issued by the CRTC generally set out the terms and conditions of the broadcaster's program offering, including Canadian content expenditures, Canadian exhibition requirements and signal delivery terms for Corus' specialty and pay television networks. All new services must launch with an exempt status and apply for a license upon reaching certain subscriber thresholds. The CRTC also imposes restrictions on the transfer of ownership and effective control of all licensed broadcasting undertakings. Transferees of ownership or control of a licensed undertaking must demonstrate to the CRTC that the transfer is in the public interest, and the purchaser is required, in some instances, to provide a specific package of tangible benefits designed to benefit the Canadian broadcasting system. For transfer of ownership applications involving profitable radio stations, tangible benefits are required to represent a financial contribution equal to 6% of the purchase price and for acquisitions of conventional television, or specialty or pay television network services, a financial contribution of 10% of the value of the transaction is expected. In recent decisions, the CRTC has taken a broad definition of what the "purchase price" is. A purchaser is also required to demonstrate how the purchase is considered to be in the public interest.

The CRTC's regulations that apply to radio, conventional television and specialty and pay television services require these broadcasting undertakings to obtain the prior approval of the CRTC in respect of any act, agreement or transaction that, directly or indirectly, would result in (i) a change in the effective control of a broadcasting undertaking; or (ii) a person together with any associate acquiring control of 30% or more of the issued voting securities, or 50% or more of the common shares, of a broadcasting undertaking or (iii) of a person that has, directly or indirectly, effective control of that broadcasting undertaking. The Commission has augmented these tests through its "Diversity of Voices" policy, which allows it to examine a transaction if certain market share thresholds are met. (Please refer to Broadcasting Public Notice CRTC 2008-4 January 15, 2008.)

Radio Undertakings

The CRTC no longer regulates the formats of commercial FM radio stations except in the case of “specialty” radio licenses which, by definition, require that (i) the language of broadcast is neither French nor English; (ii) more than 50% of the programming is spoken word; or (iii) less than 70% of the musical selections broadcast are not pop, rock, dance, country or country-orientated selections. For non-specialty format FM stations, the CRTC continues to require that less than 50% of the musical selections broadcast each week be “hits” which are defined in English markets as any selection which, prior to December 31, 1980, achieved a Top 40 position in any of the charts recognized by the CRTC. On April 30, 1998, the CRTC announced certain changes to its commercial radio policy. By regulation, the CRTC increased Canadian popular music content levels broadcast to 35%. For French-language radio stations, at least 65% of popular, vocal music selections must be in the French language. The CRTC also changed ownership restrictions on the number of stations that could be owned within a particular market. The ownership changes allow a single owner to operate up to three stations provided only two are in the same band, in a given language in smaller markets and, in markets with eight or more commercial stations in a given language, one owner may hold up to two AM stations and two FM stations. In assessing transactions involving a change in control or ownership, the CRTC has stated it will examine the impact on diversity of news voices, the level of competition and, if the applicant has equity holdings in other local radio stations or media, cross-media ownership levels in a given market. Under its new policy, the CRTC also stated that it would no longer apply market entry criteria in assessing applications for new radio services in a particular market. Radio broadcasters derive substantially all of their revenues from advertising revenues. There is no regulatory limit on the number of commercials that can be broadcast. In markets with more than one commercial FM station, FM licensees are required to broadcast at least 42 hours per week of local programming in order to access local advertising.

On December 15, 2006, the CRTC released its most recent review of radio policy. The new policy maintained current levels of Canadian Content music required of broadcast licensees. The contributions required of licensees to Canadian Talent Development was renamed to Canadian Content Development, the amounts payable are related to prior year revenues, and the list of eligible recipients was amended. (Please see Commercial Radio Policy 2006, BPN 2006-158.)

Specialty and Pay Television Networks Undertakings

Specialty and pay television networks each have varying Canadian programming and expenditure requirements set by a condition of license. These requirements currently depend on a number of factors, including the nature of the service and the types and availability of programming offered. The Canadian Content conditions of license are reviewed by the CRTC at the time that the networks renew their licenses. Licensees are also required to make financial contributions to the creation of Canadian programming which is imposed by condition of license. These conditions of license will take on a reduced and more uniform application with the next license term which is currently anticipated to beginning on September 1, 2017.

Specialty television networks derive substantially all of their revenues from subscription and advertising revenues. Pay television networks derive their revenues from subscriptions and by regulation are required to be commercial free. The maximum wholesale subscriber fee that can be charged to subscribers for the carriage of the service is regulated if it is carried as part of the basic service, but is not regulated if it is carried on an extended or discretionary tier. Subscriber fees payable to pay television network licensees are regulated by the CRTC’s Wholesale Code.

The Commission licenses television channels as follows:

- A) Basic – local Over The Air, community, and provincial education;
- B) Discretionary – This category includes all specialty and pay services and with uniform spending, Canadian Content, and other obligations for each type.

C) On demand pay per view (PPV) and video on demand (VOD). These are unregulated if offered on an OTT basis.

For further information, please consult the CRTC web site at www.crtc.gc.ca.

Canadian Content Requirement for Broadcasters

As mentioned previously, Canadian conventional television services, specialty television networks and pay television networks are required to devote a certain amount of their programming schedules to Canadian Content productions. These requirements provide support for Canadian programs (such as the ones produced through Nelvana) as long as they qualify as Canadian programs, for purposes of the Canadian Audio Visual Certification Office (“CAVCO”), as an officially recognized co-production by the CRTC.

CAVCO and the CRTC determine the criteria for qualification of a program as “Canadian”. Generally, a program will qualify if it is produced by an individual Canadian producer with the involvement of individual Canadians in principal functions, and where a substantial portion of the budget is spent on Canadian elements. In addition, the Canadian producer must have full creative and financial control of the project.

Film, Television, and Interactive Digital Media Tax Credits and Grants

Various federal and provincial tax credits are available for qualifying productions of television series and feature films and typically provide benefits of as much as 30% of the Canadian production budget. These tax credits are calculated on the basis of each individual production.

Additional funding for its productions of television series, feature films and interactive digital products are also available from various Canadian industry funding sources, including the Canadian Media Fund and Telefilm Canada in respect of feature films.

International Treaty Co-Productions

Canada is a party to co-production treaties with many countries throughout the world, excluding the United States. These international co-production treaties allow for the reduction of the risks of production by permitting the pooling of creative, technical and financial resources of Canadian producers with non-Canadian producers under prescribed conditions. Canadian co-production treaty partners include France, Great Britain, Germany, New Zealand and Australia. A production that qualifies as a co-production for treaty purposes is considered to be a domestic product in each of the participating countries and, as such, is entitled to many aspects of national treatment in each country. More specifically, the co-production usually qualifies for domestic treatment under applicable broadcasting legislation and certain government subsidies. The co-producers jointly hold the copyright in the production. Sharing of foreign revenues is based on the respective contribution of each co-producer, subject to negotiation between the co-producers and approval by the appropriate government authorities. Many of Nelvana’s productions are produced through international treaty co-productions.

Competition Act Requirements

The Commissioner of Competition has the authority, pursuant to the Competition Act (Canada), to inquire into mergers and apply to the Competition Tribunal for remedial orders, including an order blocking a merger, where the Commissioner determines the merger is or will likely prevent or lessen competition substantially in a market. To facilitate the Commissioner’s review of mergers, parties to a merger transaction are required to pre-notify the Commissioner of Competition prior to completing the transaction when specified party and transaction-size thresholds are satisfied. For example, in the case of an asset purchase, a transaction is notifiable if the parties to the transaction, together with their affiliates, have assets in Canada or annual gross revenues from sales in, from or into Canada, that exceed \$77 million and if the aggregate value of the Canadian assets to be acquired or annual gross revenues from sales in or from Canada generated from those assets exceed \$77 million. The Commissioner can now also invoke a two stage notification and review process, which can serve to prolong the approval process for a transaction.

Ownership transfers of licensed broadcasting undertakings exceeding these financial thresholds thus require the approval of both the CRTC and the Commissioner of Competition according to their respective statutory

mandates. The two authorities could come to different conclusions on a given transaction. For example, the CRTC could approve a broadcasting company's acquisition of radio stations as being in accordance with its commercial radio policy whereas the Commissioner of Competition might conclude that the acquisition would substantially lessen competition in the market or markets under consideration.

For further information, please consult: www.cb-bc.gc.ca/eic/site/cb-bc.nsf/eng/h_00114.html

Investment Canada Act

Under the *Investment Canada Act* ("ICA"), certain transactions which involve the acquisition of control of a Canadian business by a non-Canadian require the approval of the Canadian government. The Ministry of Industry (Canada) is responsible for reviewing proposed acquisitions of control of Canadian businesses by non-Canadians. However, where the Canadian business is a "cultural business," the proposed acquisition would also be subject to review by the Minister of Canadian Heritage. Cultural businesses include those involved in the publication, distribution or sale of books, magazines, periodicals and newspapers, as well as businesses involved in the production and distribution of film and video recordings, audio and video music recordings. Radio, television and cable television broadcasting undertakings are also considered "cultural businesses" under the ICA, but they are also the subject of other, more stringent, Canadian ownership and control regulations under the *Broadcasting Act*, as discussed above.

Before an acquisition of a "cultural business" by a non-Canadian can be completed, the non-Canadian must be able to demonstrate that the proposed acquisition is likely to be of "net benefit to Canada." In determining whether this test has been met, the Minister of Canadian Heritage is required to take into account a number of factors outlined in the ICA, including compatibility with Canada's cultural policy objectives, as well as any applicable government policies and any written undertakings that may have been given by the non-Canadian investor.

Copyright Act Requirements

Corus' radio, conventional television, specialty television and pay television undertakings rely upon licenses under the *Copyright Act* (Canada) in order to make use of the music component of the programming and other uses of works used or distributed by these undertakings. Under these licenses, Corus is required to pay a range of royalties established by the Copyright Board pursuant to the requirements of the *Copyright Act* to collectives (which represent the copyright owners) and individual copyright owners. These royalties are paid by these undertakings in the normal course of their business.

The levels of the royalties payable by Corus are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the *Copyright Act* to implement Canada's international treaty obligations and for other purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licenses.

CAPITAL STRUCTURE

Description of Capital Structure

(a) General

The authorized share capital of Corus consists of an unlimited number of Class A participating shares ("Class A Voting Shares"); an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares") (and, together with the Class A Voting Shares, the "Corus Shares"); an unlimited number of Class 1 preferred shares (the "Class 1 Preferred Shares"), issuable in series; an unlimited number of Class 2 preferred shares (the "Class 2 Preferred Shares"), issuable in series; and an unlimited number of Class A preferred shares (the "Class A Preferred Shares"). As at August 31, 2015, there were 3,425,792 Class A Voting Shares, 83,754,787 Class B Non-Voting Shares and no preferred shares outstanding.

(b) Class A Voting Shares and Class B Non-Voting Shares

(i) Authorized Number of Shares

The authorized number of Class A Voting Shares and Class B Non-Voting Shares is unlimited. No Class A Voting Shares, however, shall be issued unless the prior written consent of holders of no fewer than two-thirds of the then outstanding Class A Voting Shares is obtained.

(ii) Voting Rights

The holders of Class A Voting Shares are entitled to one vote per share at all meetings of shareholders. The holders of Class B Non-Voting Shares are entitled to receive notice of, to attend, and to speak at all meetings of shareholders but are not entitled to vote thereat except as required by law and except upon any resolution to authorize the liquidation, dissolution or winding up of Corus or the distribution of assets among its shareholders for the purpose of winding up its affairs, in which event each holder of Class B Non-Voting Shares will be entitled to one vote per share.

(iii) Dividends

In general, subject to the rights of any preferred shares outstanding from time to time, holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors of Corus determines to declare on a share-for-share basis, as and when any such dividends are declared or paid, except that, during each Dividend Period (as defined below), the dividends (other than stock dividends) declared and paid on the Class A Voting Shares will always be \$0.005 per share per annum less than the dividends declared and paid in such Dividend Period to holders of the Class B Non-Voting Shares, subject to proportionate adjustment in the event of any future consolidations or subdivisions of Corus Shares and in the event of any issue of Corus Shares by way of stock dividends. A "Dividend Period" is defined as the fiscal year of Corus or such other period not exceeding one year in respect of which the directors of Corus have an announced current policy to declare and pay or set aside for payment of regular dividends.

(iv) Rights on Liquidation

In the event of the liquidation, dissolution or winding up of Corus or other distribution of assets of Corus for the purpose of winding up its affairs, all property and assets of Corus available for distribution to the holders of Corus Shares will be paid or distributed equally, share for share, between the holders of Corus Shares without preference or distinction.

(v) Conversion Privilege

Any holder of Class A Voting Shares may, at any time or from time to time, convert any or all Class A Voting Shares held by such holder into Class B Non-Voting Shares on the basis of one Class B Non-Voting Share for each Class A Voting Share so converted.

Subject to certain exceptions described below, if an Exclusionary Offer is made, any holder of Class B Non-Voting Shares may, at any time or from time to time during a Conversion Period, convert any or all of the Class B Non-Voting Shares held by such holder into Class A Voting Shares on the basis of one Class A Voting Share for each Class B Non-Voting Share so converted. For the purpose of this paragraph, the following terms have the following meanings:

"Conversion Period" means the period of time commencing on the eighth day after the Offer Date and terminating on the Expiry Date;

"Exclusionary Offer" means an offer to purchase Class A Voting Shares that:

- (A) must, by reason of applicable securities legislation or the requirements of a stock exchange on which the Class A Voting Shares are listed, be made to all or substantially all holders of Class A Voting Shares who are residents of a province of Canada to which the requirement applies; and
- (B) is not made concurrently with an offer to purchase Class B Non-Voting Shares that is identical to the offer to purchase Class A Voting Shares in terms of price per share and percentage of outstanding

shares to be taken up exclusive of shares owned immediately prior to the offer by the Offeror, and in all other material respects (except with respect to the conditions that may be attached to the offer for Class A Voting Shares), and that has no condition attached other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the offer for Class A Voting Shares,

and for the purposes of this definition, if an offer to purchase Class A Voting Shares is not an Exclusionary Offer as defined above but would be an Exclusionary Offer if it were not for sub-clause (B), the varying of any term of such offer shall be deemed to constitute the making of a new offer unless an identical variation concurrently is made to the corresponding offer to purchase Class B Non-Voting Shares;

“Expiry Date” means the last date upon which holders of Class A Voting Shares may accept an Exclusionary Offer;

“Offer Date” means the date on which an Exclusionary Offer is made;

“Transfer Agent” means the transfer agent for the time being of the Class A Voting Shares; and

“Offeror” means a person or company that makes an offer to purchase Class A Voting Shares (the “bidder”), and includes any associate or affiliate of the bidder or any person or company that is disclosed in the offering document to be acting jointly or in concert with the bidder.

Subject to certain exceptions, the foregoing conversion right shall not come into effect if:

- (A) prior to the time at which the offer is made there is delivered to the Transfer Agent and to the Secretary of Corus a certificate or certificates signed by or on behalf of one or more shareholders of Corus owning in the aggregate, as at the time the Exclusionary Offer is made, more than 50% of the then outstanding Class A Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, which certificate or certificates shall confirm, in the case of each such shareholder, that such shareholder shall not:
 - a. tender any shares in acceptance of any Exclusionary Offer without giving the Transfer Agent and the Secretary of Corus written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date;
 - b. make any Exclusionary Offer;
 - c. act jointly or in concert with any person or company that makes any Exclusionary Offer; or
 - d. transfer any Class A Voting Shares, directly or indirectly, during the time at which any Exclusionary Offer is outstanding without giving the Transfer Agent and the Secretary of Corus written notice of such transfer or intended transfer at least seven days prior to the Expiry Date, which notice shall state, if known to the transferor, the names of the transferees and the number of Class A Voting Shares transferred or to be transferred to each transferee;or
- (B) as of the end of the seventh day after the Offer Date there has been delivered to the Transfer Agent and to the Secretary of Corus a certificate or certificates signed by or on behalf of one or more shareholders of Corus owning in the aggregate more than 50% of the then outstanding Class A Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, which certificate or certificates shall confirm, in the case of each such shareholder:
 - a. the number of Class A Voting Shares owned by the shareholder;
 - b. that such shareholder is not making the offer and is not an associate or affiliate of, or acting jointly or in concert with, the person or company making the offer;
 - c. that such shareholder shall not tender any shares in acceptance of the offer, including any varied form of the offer, without giving the Transfer Agent and the Secretary of Corus written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date; and

- d. that such shareholder shall not transfer any Class A Voting Shares, directly or indirectly, prior to the Expiry Date without giving the Transfer Agent and the Secretary of Corus written notice of such transfer or intended transfer at least seven days prior to the Expiry Date, which notice shall state, if known to the transferor, the names of the transferees and the number of Class A Voting Shares transferred or to be transferred to each transferee; or
- (C) as of the end of the seventh day after the Offer Date, a combination of certificates that comply with either clause (A) or (B) from shareholders of Corus owning in the aggregate more than 50% of the then outstanding Class A Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, has been delivered to the Transfer Agent and to the Secretary of Corus.

(vi) Modification

Neither class of Corus Shares may be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the other class of Corus Shares is subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner.

(vii) Offer to Purchase

Corus may not make an offer to purchase any outstanding Class A Voting Shares unless at the same time it makes an offer to purchase at the same price and on the same terms as to payment an equivalent proportion of the outstanding Class B Non-Voting Shares.

(viii) Redemption

The Corus Shares are not redeemable at the option of either Corus or the holder of any such Corus Shares.

(c) Class 1 Preferred Shares

The Class 1 Preferred Shares are issuable in one or more series. The Board of Directors may fix from time to time before such issue the number of shares which is to comprise each series then to be issued and the designation, rights, conditions, restrictions and limitations attaching thereto, including, without limiting the generality of the foregoing, the rate of preferential dividends and whether or not such dividends shall be cumulative, the dates of payment thereof, the redemption price and terms and conditions of redemption, including the rights, if any, of the holders of Class 1 Preferred Shares of such series to require the redemption thereof, conversion rights, if any, and any redemption fund, purchase fund or other provisions to be attached to the Class 1 Preferred Shares of such series.

The holders of Class 1 Preferred Shares of any series shall not be entitled to receive notice of, to attend or vote at any meeting of shareholders of Corus, other than a meeting of holders of Class 1 Preferred Shares, as provided by applicable law.

The shares of each successive series of Class 1 Preferred Shares shall have preference over the Class A Voting Shares and Class B Non-Voting Shares as to dividends of not less than 1/100th of a cent per share, and shall not confer upon the shares of one series a priority over the shares of any other series of the Class 1 Preferred Shares in respect of voting, dividends or return of capital. If any amount of cumulative dividends or any amount payable on return of capital in respect of shares of a series of Class 1 Preferred Shares is not paid in full, the shares of such series shall participate rateably with the shares of all other series of Class 1 Preferred Shares in respect of accumulated dividends and return of capital. The Class 1 Preferred Shares and each series thereof shall rank junior to and be subject to in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Class A Preferred Shares.

(d) Class 2 Preferred Shares

The Class 2 Preferred Shares are issuable in one or more series. From time to time before any such issue, the directors may fix the number of shares which is to comprise each series then to be issued and the designation, rights, conditions, restrictions or limitations attaching thereto, including, without limiting the generality of the foregoing, the rate of preferential dividends and whether or not such dividends shall be cumulative, the

dates of payment thereof, the redemption price and terms and conditions of redemption, including the rights, if any, of the holders of Class 2 Preferred Shares of such series to require the redemption thereof, conversion rights, if any, and any redemption fund, purchase fund or other provisions to be attached to the Class 2 Preferred Shares of such series.

The holders of Class 2 Preferred Shares of any series shall not be entitled to receive notice of, to attend or vote at any meeting of shareholders of Corus, other than a meeting of holders of Class 2 Preferred Shares, as provided by applicable law.

The shares of each successive series of Class 2 Preferred Shares shall have preference over the Class A Voting Shares and Class B Non-Voting Shares as to dividends in right of payment and shall not confer upon the shares of one series a priority over the shares of any other series of Class 2 Preferred Shares in respect of voting, dividends or return of capital. If any amount of cumulative dividends or any amount payable on return of capital in respect of shares of a series of Class 2 Preferred Shares is not paid in full, the shares of such series shall participate ratably with the shares of all other series of the Class 2 Preferred Shares in respect of accumulated dividends and return of capital. The Class 2 Preferred Shares and each series thereof shall rank junior to and be subject to in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Class A Preferred Shares and the Class 1 Preferred Shares.

(e) Class A Preferred Shares

In accordance with the provisions of subsection 26(3) of the *Canada Business Corporations Act* (the “CBCA”), the directors of Corus may add to the stated capital account maintained for Class A Preferred Shares the whole or any part of the amount of consideration received by Corus in an exchange for property, or shares of another class, or pursuant to an amalgamation referred to in section 182 of the CBCA or an arrangement referred to in subsection 192(1)(b) or (c) of the CBCA. The Class A Preferred Shares shall be redeemed (the “Class A Redemption Amount”) at the amount of consideration received therefore as determined by the directors of Corus at the time of issuance. No Class A Preferred Shares shall be issued by Corus at any particular time if, at that time, there are Class A Preferred Shares issued and outstanding

The holders of the Class A Preferred Shares shall not be entitled to receive notice of, to attend or vote at any meeting of shareholders of Corus, subject to the CBCA.

When and if declared by the directors of Corus, the holders of Class A Preferred Shares shall be entitled to receive out of the net profits or surplus of Corus properly applicable to the payment of dividends, a non-cumulative dividend at such rate as the directors may from time to time determine. Upon the liquidation, dissolution or winding up of Corus, or other distribution of the assets of Corus or repayment of capital to its shareholders for the purpose of winding up its affairs, the holders of Class A Preferred Shares shall be entitled to receive for each such share, in priority of the holders of Class A Voting Shares and Class B Non-Voting Shares, the Class A Redemption Amount per share together with all declared but unpaid dividends thereon (the “Class A Redemption Price”). After such payment the holders of the Class A Preferred Shares shall have no right or claim to any of the remaining assets of Corus. Class 1 Preferred Shares, Class 2 Preferred Shares, Class A Voting Shares and Class B Non-Voting Shares shall rank junior to and shall be subject in all respect to the preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Class A Preferred Shares. The Class A Preferred Shares are redeemable at the demand of Corus and are retractable at the demand of a holder of Class A Preferred Shares at the Class A Redemption Price.

Share constraints

The statutes which govern the provision of broadcasting services by Corus and its regulated subsidiaries impose restrictions on the ownership of shares of Corus and its regulated subsidiaries by persons that are not Canadian. (See information under the heading “Canadian Communications Industry Regulatory Environment – Restrictions on Non-Canadian Ownership”). In order to ensure that Corus and its regulated subsidiaries remain eligible or qualified to provide broadcasting services in Canada, the Articles of Incorporation of Corus require the directors of Corus to refuse to issue or register the transfer of any “Voting Shares” (defined as the Class A Voting Shares and any other shares of Corus carrying voting rights under all circumstances or by reason of an event that has occurred and is continuing, and includes a security that is

convertible into such a share and a currently exercisable option or right to acquire such a share or such a convertible security) to a person that is not a Canadian if such issue or transfer would result in the total number of such shares held by non-Canadians exceeding the maximum number permitted by applicable law. In addition, the directors of Corus are required to refuse to issue or register the transfer of any Voting Shares to a person in circumstances where such issue or transfer would affect the ability of Corus and its regulated subsidiaries to obtain, maintain, amend or renew a license to carry on any business. The Articles of Incorporation of Corus further provide that if, for whatever reason, the number of Voting Shares held by non-Canadians or other such persons exceeds the maximum number permitted by applicable law or would affect the ability to carry on any licensed business, Corus may, to the extent permitted by corporate or communications statutes, sell the Voting Shares held by such non-Canadians or other persons as if it were the owner of such shares. The Articles of Incorporation of Corus also give the directors of Corus the right to refuse to issue or register the transfer of shares of any class in the capital of Corus if (i) the issue or the transfer requires the prior approval of a regulatory authority unless and until such approval has been obtained; or (ii) the person to whom the shares are to be issued or transferred has not provided Corus with such information as the directors may request for the purposes of administering these share constraints.

Ratings

The following table sets forth the ratings assigned to Corus' Senior Unsecured Guaranteed Notes by DBRS Limited ("DBRS") and Standard & Poor's Rating Services ("S&P"):

<u>Security</u>	<u>DBRS</u> ⁽¹⁾	<u>S&P</u> ⁽²⁾
4.25% Senior Unsecured Guaranteed Notes due 2020	BB(high)	BB+

Notes:

- (1) DBRS' credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BB by DBRS is the fifth highest of ten categories and is assigned to securities that are of speculative, non-investment grade credit quality. The capacity for the payment of financial obligations is uncertain and vulnerable to future events. The assignment of a "(high)" or "(low)" modifier within each rating category indicates relative standing within such category. The "high" and "low" grades are not used for the AAA and D categories.
- (2) S&P's credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BB by S&P is the fifth highest of ten major categories. According to the S&P rating system, obligations rated 'BB', 'B', 'CCC', 'CC' and 'C' are regarded as having significant speculative characteristics. An obligation rated 'BB' is less vulnerable to non-payment than other speculative issues; however, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The foregoing ratings should not be construed as a recommendation to buy, sell or hold the Notes, in as much as such ratings do not comment as to market price or suitability for a particular investor. Any of the foregoing ratings may be revised or withdrawn at any time by the respective rating organization if, in its judgment, circumstances so warrant.

MARKET FOR SECURITIES

Marketplace

Corus' Class B Non-Voting Shares (CJR.B) are listed and posted for trading on the Toronto Stock Exchange ("TSX"). In fiscal 2010, the Company announced its intention to voluntarily delist its Class B Non-Voting Shares from the New York Stock Exchange (NYSE) and subsequently, its Class B Non-Voting Shares were delisted from the NYSE on August 5, 2010. On August 16, 2011, Corus filed a Form 15F with the U.S. Securities and Exchange Commission ("SEC") to voluntarily terminate registration of its Class B Non-Voting Shares, with the deregistration being effective 90 days after the Form 15F filing date. SEC reporting obligations ceased on the date of filing.

Trading Price and Volume

The following table sets forth the monthly price range and volume traded for the Company's publicly traded securities on the TSX for the fiscal year ended August 31, 2015. All price and volume information is from independent third-party sources.

TSX – CJR.B				
Month	High (\$)	Low (\$)	Close (\$)	Average Daily Volume
September 2014	25.11	24.02	24.87	141,674
October 2014	25.45	20.08	20.74	245,134
November 2014	22.11	20.56	21.70	192,029
December 2014	23.26	21.39	22.95	177,888
January 2015	23.37	20.70	21.57	157,133
February 2015	22.80	21.42	21.74	169,433
March 2015	22.36	17.42	19.24	331,448
April 2015	19.50	16.85	18.55	359,972
May 2015	18.65	17.31	17.64	126,646
June 2015	17.89	16.15	16.67	179,421
July 2015	17.41	13.44	14.05	233,751
August 2015	14.36	12.36	14.29	138,083

DIVIDEND POLICY

(a) Dividend Policy

The Company's dividend policy is reviewed on a quarterly basis by the Board of Directors. Shareholders are entitled to receive dividends only when any such dividends are declared by the Company's Board of Directors, and there is no entitlement to any dividend prior thereto.

As described above, the dividends (other than stock dividends) declared and paid on the Class A Voting Shares shall be \$0.005 per share per annum less than the dividends declared and paid to holders of the Class B Non-Voting Shares. See the information under the heading "Capital Structure - Description of Capital Structure – Class A Voting Shares and Class B Non-Voting Shares" for further details.

On January 14, 2013, the Company announced that its Board of Directors had approved a \$0.06 increase in its annual dividend, effective February 1, 2013. At the new rate, the expected dividend on an annual basis for the Company's Class A Voting Shares and Class B Non-Voting Shares was \$1.015 and \$1.02, respectively, up from the previous rate of \$0.955 and \$0.96, respectively.

On January 14, 2014, the Company announced that its Board of Directors had approved a \$0.07 increase in its annual dividend, effective February 1, 2014. At the new rate, the dividend on an annual basis for the Company's Class A Voting Shares and Class B Non-Voting Shares was \$1.085 and \$1.09 respectively, up from the previous rate of \$1.015 and \$1.02, respectively.

On January 13, 2015, the Company announced that its Board of Directors had approved a \$0.05 increase in its annual dividend, effective February 1, 2015. At the new rate, the dividend on an annual basis for the Company's Class A Voting Shares and Class B Non-Voting Shares is \$1.135 and \$1.14 respectively, up from the previous rate of \$1.085 and \$1.09, respectively. The dividend is paid on a monthly basis.

(b) Restrictions on Payment of Dividends

Covenants under Corus' credit agreement with a syndicate of lenders, as amended and restated on February 3, 2014 and further amended on February 25, 2015, may restrict Corus' ability to pay dividends should Corus fail to achieve certain financial ratios and/or financial performance or if an event of default has occurred and is continuing or would result from the payment of the dividend.

A covenant under the Trust Indenture pursuant to which Corus' 4.25% Senior Unsecured Guaranteed Notes due 2020 were issued, referred to as the "Limitation on Restricted Payments", also may restrict Corus' ability to pay dividends should Corus fail to achieve certain financial ratios and/or financial performance or if an event of default has occurred and is continuing or would result from the payment of the dividend.

(c) Distribution Rates and Payment Dates

The annual distribution rates on securities of the Company and payment dates for the fiscal year ended August 31, 2015, as well as the annual dividend payments for the past three fiscal years, are set forth in the tables below:

Fiscal 2015 dividends paid per share		
Date paid	Class A Voting Shares	Class B Non-Voting Shares
August 28, 2015	\$0.094583	\$0.095000
July 31, 2015	\$0.094583	\$0.095000
June 30, 2015	\$0.094583	\$0.095000
May 29, 2015	\$0.094583	\$0.095000
April 30, 2015	\$0.094583	\$0.095000
March 31, 2015	\$0.094583	\$0.095000
February 27, 2015	\$0.094583	\$0.095000
January 30, 2015	\$0.090417	\$0.090833
December 31, 2014	\$0.090417	\$0.090833
November 28, 2014	\$0.090417	\$0.090833
October 31, 2014	\$0.090417	\$0.090833
September 30, 2014	\$0.090417	\$0.090833

Annual dividend payments per share			
	Fiscal 2015	Fiscal 2014	Fiscal 2013
Class A Voting Shares	\$1.1142	\$1.0558	\$0.9900
Class B Non-Voting Shares	\$1.1192	\$1.0608	\$0.9950

NORMAL COURSE ISSUER BID

On June 20, 2012, Corus announced that the Toronto Stock Exchange had accepted the notice filed by Corus of its intention to renew its NCIB for its Class B Non-Voting Shares. Under the NCIB, Corus may purchase for cancellation up to a total of 4,000,000 Class B Non-Voting Shares, which represent approximately 5% of the issued and outstanding Class B Non-Voting Shares as at June 14, 2012, during the 12 month period commencing June 22, 2012 and ending June 21, 2013 through the facilities of the TSX, or any other alternative Canadian trading system. In fiscal 2013, Corus acquired 64,104 Class B Non-Voting Shares at an average price of \$22.84 under this NCIB.

DIRECTORS

Name and municipality of residence	Director since:	Principal occupation
Fernand Bélisle Breckenridge, Quebec	January 2009 (and previously December 2003 – February 2005)	Independent consultant and corporate director
Douglas D. Murphy Toronto, Ontario	March 2015	President and Chief Executive Officer, Corus Entertainment Inc.
Dennis Erker Edmonton, Alberta	September 1999	Partner, Fairly Erker Advisory Group
Mark Hollinger Washington, DC	July 2014	Corporate director
Barry James Edmonton, Alberta	January 2014	Independent consultant and corporate director
Wendy A. Leaney Toronto, Ontario	July 2000	President, Wyoming Associates Ltd.
Ronald D. Rogers Calgary, Alberta	December 2003	Corporate director
Catherine Roozen Edmonton, Alberta	June 2011 (and previously July 2001 – January 2010)	Corporate director
Terrance Royer Calgary, Alberta	September 1999	Chairman, Royco Hotels Ltd.
Heather A. Shaw Calgary, Alberta	September 1999	Executive Chair, Corus Entertainment Inc.
Julie M. Shaw Calgary, Alberta	September 1999	Vice President, Facilities, Design and Management, Shaw Communications Inc.

Each director of Corus has been engaged for more than five years in his or her principal occupation, except as follows:

Mr. Murphy was appointed CEO on March 30, 2015. Prior to his current role, from September 2013 to March 2015, Doug served as Executive Vice President and Chief Operating Officer with responsibility for the Television and Radio divisions. Previously, from May 2010 to August 2013, he held the position of Executive Vice President and President of Corus Television, where he oversaw Corus' portfolio of television brands.

Mr. James has been an Independent Consultant and Corporate Director since 2014. Previously, Mr. James was Partner, PricewaterhouseCoopers from 1989 to 2013 and Office Managing Partner in Edmonton, PricewaterhouseCoopers from 2001 to 2011.

Mr. Hollinger was previously President and CEO of Discovery Networks International from December 2009 to March 2014.

Each director named above, with the exception of Mr. Murphy, was appointed a director at the Company's Annual Meeting of Shareholders on January 13, 2015. Mr. Murphy was appointed a director by the Company's Board of Directors effective April 8, 2015. Each director will hold office until the next scheduled annual meeting of shareholders. Thereafter, each director will be elected at the annual meeting of shareholders to serve until the next annual meeting or until a successor is elected or appointed.

To the knowledge of the Company and based upon information furnished to it by the proposed nominees for election to the Board of Directors, no such nominee is or has been, during the 10 years ended November 9, 2015, a director or executive officer of any issuer which, while that person was acting in that capacity or within a year of ceasing to act in that capacity, became bankrupt or made a proposal under any

legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the knowledge of the Company and based upon information furnished to it by the proposed nominees for election to the Board of Directors, no such nominee is or has been, during the 10 years ended November 9, 2015, a director, chief executive officer or chief financial officer of any issuer that was subject to a cease trade order, or an order similar to a cease trade order, or an order that denied the relevant company access to exemption under securities legislation, and that was in effect for a period of more than 30 consecutive days, that was issued while that director was acting in such capacity, or that was issued after the director ceased to be acting in such capacity and which resulted from an event which occurred while the director was acting in such capacity.

The Board of Directors has four standing committees made up of the following members:

Committee	Members
Executive Committee	Heather A. Shaw – Chair Dennis Erker Douglas D. Murphy Ronald D. Rogers Terrance Royer
Audit Committee	Ronald D. Rogers – Chair (until July 2015) Barry L. James – Chair Wendy A. Leaney
Human Resources and Compensation Committee	Terrance Royer – Chair Fernand Bélisle Catherine Roozen
Corporate Governance Committee	Dennis Erker – Chair Mark Hollinger Julie M. Shaw

OFFICERS

Name and municipality of residence	Position with Corus
Judy Adam, CA Oakville, Ontario	Vice President, Finance
D. Scott Dyer Toronto, Ontario	Executive Vice President, Chief Technology Officer and President, Nelvana
Gary Maavara Toronto, Ontario	Executive Vice President and General Counsel, Corporate Secretary
Kathleen McNair Toronto, Ontario	Executive Vice President, Special Advisor to the CEO and Chief Integration Officer
Douglas D. Murphy Toronto, Ontario	President and Chief Executive Officer
Thomas C. Peddie, FCPA, FCA Toronto, Ontario	Executive Vice President and Chief Financial Officer
Heather A. Shaw Calgary, Alberta	Executive Chair

As of November 9, 2015, the directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over 362,382 Class A Voting Shares and 4,241,376 Class B Non-Voting Shares, representing 10.6% and 5.1% of the issued and outstanding Class A Voting Shares and Class B Non-Voting Shares, respectively.

AUDIT COMMITTEE

Charter

The text of the Audit Committee's Charter is attached as Schedule A.

Composition of the Audit Committee

The Company's Audit Committee is composed of Ronald D. Rogers, Barry L. James and Wendy A. Leaney, each of whom is a financially literate, independent director of the Company as per the requirements of National Instrument 52-110 *Audit Committees*. The relevant education and experience of each Audit Committee member is outlined below:

Ronald D. Rogers (Chair until July 2015)

Mr. Rogers retired as Senior Vice-President and Chief Financial Officer of Shaw Communications Inc. in August 2004. He is a Director for Transforce Inc., Parkland Fuel Corporation and a member of the Institute of Chartered Accountants of Alberta. Mr. Rogers also has extensive experience as a senior executive in operations and finance, on both a national and international basis.

Barry L. James (Chair)

Mr. James is President of Barry L. James Advisory Services Ltd., a private consulting firm. Mr. James was a partner of PricewaterhouseCoopers and retired after 36 years with the firm. He became a partner in the tax practice in 1989 and subsequently became a partner in the audit group. Mr. James was Office Managing Partner in Edmonton for 10 years, from 2001 to 2011. Currently, Mr. James is a Senator and Board member of the University of Alberta, a Board member of ATB Financial and AutoCanada Inc., a Trustee of the University Hospital Foundation and Acting Chair of the Provincial Audit Committee of the Government of Alberta.

Wendy A. Leaney

Ms. Leaney is President of Wyoming Associates Ltd., a private investment and consulting firm based in Toronto. Prior to that, Ms. Leaney was Managing Director and Co-Head Global Communications Finance for TD Securities Inc. She holds a Bachelor of Arts (Hon.) degree from the University of Toronto and is a graduate of the Advanced Management Course at the University of Western Ontario. Ms. Leaney is also a graduate of the Canadian Securities Course and a Fellow of the Institute of Canadian Bankers.

Principal Accounting Fees and Services – Independent Auditors

Fees payable to the Registrant's independent auditor, Ernst and Young LLP, for the years ended August 31, 2015 and 2014 totaled \$1,679,500 and \$1,834,000, respectively, as detailed in the following table. All funds are in Canadian dollars:

	Fiscal year ended August 31,	
	2015	2014
Audit fees	1,414,000	1,303,000
Audit-related fees	-	459,000
Tax fees	155,500	57,000
All other fees	110,000	15,000
Total	1,679,500	1,834,000

The nature of the services provided by Ernst and Young LLP under each of the categories indicated in the table is described below:

Audit Fees

Audit fees were for professional services rendered by Ernst and Young LLP for the audit of the Company's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees

Audit-related fees were for assurance and related services reasonably related to the performance of the audit of the consolidated financial statements and are not reported under "Audit Fees" above. These services consisted of employee benefit plan audits, assistance with adoption of International Financial Reporting Standards (IFRS), non-statutory audits of wholly-owned subsidiaries, fees in relation to the prospectus and system conversion audits.

Tax Fees

Tax fees were for tax compliance, tax advice and tax-planning professional services. These services consisted of tax planning and advisory services relating to common forms of domestic and international taxation as well as assistance with various tax audit matters.

All Other Fees

Fees disclosed in the table above under the item "all other fees" represent products and services other than the audit fees, audit-related fees and tax fees described above.

The Company's Audit Committee has implemented a policy restricting the services that may be provided by the auditors and the fees paid to the auditors. Prior to the engagement of the auditors, the Audit Committee pre-approves the provision of the service. In making their determination regarding non-audit services, the Audit Committee considers the compliance with the policy and the provision of non-audit services in the context of avoiding impact on auditor independence. Each quarter, the Audit Committee reviews the non-audit services performed by the auditors on a year-to-date basis, and any proposed assignments for pre-approval, if appropriate.

LEGAL AND REGULATORY

Corus is involved, from time to time, in various claims and lawsuits incidental to the ordinary course of business, including intellectual property actions and acts for defamation. Adverse determinations in litigation could result in the loss of proprietary rights, subject the Company to significant liabilities, or require Corus to seek licenses from third parties, any one of which could have an adverse effect on the business and results of operations. Actions which are incidental to the business are typically covered by insurance and management has estimated the potential liability and provided for the amount in its financial statements. Corus does not anticipate that the damages which may be awarded in any material action of which the Company is currently aware will exceed its insurance coverage in a material way. While no assurance can be given that these proceedings will be favourably resolved, Corus does not believe that the outcome of these legal proceedings will have a material adverse impact on its financial position or results of operations.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is or has been, since the incorporation of the Company, a director or executive officer of any company that, while that person was acting in that capacity, (a) was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days; (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the company access to any exemption under Canadian securities legislation for a period of more than 30 consecutive days; or (c) has, since the incorporation of the Company, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

TRANSFER AGENTS

CST Trust Company, P.O. Box 700, Station B, Montreal, Quebec H3B 3K3, acts as Corus' transfer agent and can be reached by telephone at 1.800.387.0825 or via their website www.canstockta.com.

MATERIAL CONTRACTS

Senior Secured Credit Facility

A syndicate of lenders has provided Corus with a senior secured revolving (the "Revolving Facility") and a senior secured term credit facility (the "Term Facility") under the Amended and Restated Credit Agreement dated February 3, 2014 as further amended on February 25, 2015 (the "Credit Agreement").

The Revolving Facility consists of a committed credit of \$500 million that matures February 25, 2019. As a revolving facility, amounts borrowed may be repaid and re-borrowed as required through the term of the Revolving Facility. The commitment expires at the maturity date and there are no mandatory reductions to the committed amount, subject to certain covenants, during the term of the facility. As at August 31, 2015, approximately \$110 million of the Revolving Facility was drawn.

The Term Facility consists of an advance of \$150 million that matures February 3, 2016. As a term facility the amounts borrowed may be repaid but once repaid are no longer available to re-borrow. As at August 31, 2015 the Term Facility was fully drawn.

Advances under the Credit Agreement are available in either Canadian or U.S. dollars at the option of Corus. Interest rates applicable to Canadian dollar advances, at Corus' option, are equal to (i) the Canadian prime rate, or (ii) Bankers Acceptance rates for terms up to six months, plus, in each case, an applicable margin. Interest rates applicable to U.S. dollar advances, at Corus' option, are equal to (i) the U.S. base rate, or (ii) the U.S. London inter-bank offered rate ("LIBOR") for terms up to six months, plus, in each case, an applicable margin. Margins will vary based on the type of advance and debt to cash flow ratios achieved.

The Credit Agreement requires that Corus comply, on a quarterly basis, with certain financial covenants including maximum debt to cash flow ratio tests and a minimum interest coverage ratio test. The Credit Agreement also includes negative covenants that, subject to certain exceptions, may restrict or limit the ability of Corus (and its significant operating subsidiaries) to, among other things, incur, assume or permit to exist additional indebtedness or encumbrances, engage in mergers, consolidations, amalgamations or other reorganizations, sell or otherwise dispose of significant assets, make investments, declare dividends or repurchase equity securities, engage in activities that adversely affect the ranking or validity of the lenders' security.

The Credit Agreement contains certain customary representations and warranties, positive covenants and events of default, including payment defaults, covenant defaults, cross-defaults to other material indebtedness or other material agreements, insolvency or bankruptcy defaults, material judgments, material breach of representations and warranties and failure to maintain security. If an event of default occurs and continues, the lenders are entitled to take all actions permitted to a secured creditor including the acceleration of amounts due.

The lenders under the Credit Agreement have a first ranking charge on the present and future property of Corus, including the present and future property of its significant operating subsidiaries. Those subsidiaries have provided guarantees to the lenders and securities pledge agreements have been entered into relative to the ownership interest in most of the significant operating subsidiaries.

Trust Indenture for 4.25% Senior Unsecured Guaranteed Notes due 2020

On February 11, 2013, Corus issued \$550 million in Senior Unsecured Guaranteed Notes bearing interest at 4.25% per annum and maturing on February 11, 2020 (the "Notes"). Proceeds from the Notes were used primarily to redeem Corus' previously issued \$500 million, 7.25% Senior Unsecured Guaranteed Notes due 2017 effective March 16, 2013. The Notes are governed under a Trust Indenture with BNY Trust Company of

Canada as Trustee dated February 11, 2013 (the “Indenture”). Terms of the Notes include those stated in the Indenture.

The Notes are unsecured. Subsidiaries that have provided guarantees under the Credit Agreement also provide unsecured guarantees on the Notes. Interest is payable semi-annually in arrears in equal installments on February 11 and August 11 of each year that the Notes are outstanding. Interest on the Notes will be computed on the basis of a year of 365 or 366 days, as the case may be, based on the actual number of days elapsed, and will accrue from day to day. The Notes are redeemable at the option of Corus, in whole or in part, at any time at a redemption price equal to the greater of (a) 100% of the principal amount of the Notes to be redeemed; or (b) the Canada Yield Price (as defined in the Indenture), plus accrued and unpaid interest thereon.

The Indenture governing the Notes contains covenants that, among other things and subject to exceptions and qualifications, may limit or restrict Corus’ ability to engage in transactions with affiliates, incur additional indebtedness, sell or otherwise dispose of significant assets, declare dividends or repurchase equity securities, make investments, engage in mergers, consolidations, amalgamations or other reorganizations that result in a change of control, create unrestricted subsidiaries, incur or suffer to exist liens, or, in the case of restricted subsidiaries, guarantee indebtedness.

INTERESTS OF EXPERTS

The Company’s consolidated financial statements and notes for the year ended August 31, 2015 were audited by Ernst and Young LLP (“EY”), independent auditors appointed by the shareholders of the Company upon the recommendation of the Board of Directors at its Annual General Meeting held on January 13, 2015. To the knowledge of the Board of Directors, EY is independent of the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. A copy of the audited consolidated annual financial statements and notes of the Company, including the auditors’ report thereon, is available at SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

The Company’s financial information is provided in the audited consolidated financial statements and notes and management’s discussion and analysis for the year ended August 31, 2015. These documents and additional information relating to Corus may be found on SEDAR at www.sedar.com and may also be obtained upon request from the Director, Corporate Communications, of the Company, at Corus Quay, 25 Dockside Drive, Toronto, Ontario, M5A 0B5.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company endorses the principles that sound corporate governance practices (“Corporate Governance Practices”) are important to the proper functioning of the Company and the enhancement of the interests of the shareholders.

The Company’s Statement of Corporate Governance Practices as they compare to the CSA Guidelines on Corporate Governance under National Instrument 58-101 *Disclosure of Corporate Governance Practices*, and the charters of the Board of Directors and Human Resources and Compensation Committee may be found in the Company’s website at www.corusent.com in the Investor Relations section.

Schedule A

AUDIT COMMITTEE CHARTER

1. Mandate

The mandate of the Audit Committee (the “Committee”) shall be to provide assistance to the Board of Directors (the “Board”) of Corus Entertainment Inc. (“Corus” or the “Company”) in fulfilling their oversight responsibilities relating to: (i) the integrity of the Company’s financial statements; (ii) the Company’s compliance with legal and regulatory requirements; (iii) the external auditor’s qualifications and independence; and, (iv) the performance of the Company’s internal audit function and external auditors.

Management is responsible for the preparation and fair presentation of the quarterly and annual financial statements in accordance with International Financial Reporting Standards. Management is also responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and is ultimately responsible for revising and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

In fulfilling its mandate, it is the responsibility of the Committee to maintain free and open communication between the Committee, external auditors, the internal auditors, and management of the Company, and to determine that all parties are aware of their responsibilities.

2. Composition and Operations

- 2.1 The Committee shall be composed of three or more directors, as determined and appointed by the Board on an annual basis. Every Committee member must be independent as defined by National Instrument 52-110 *Audit Committees*. In this regard, to maintain their independence, members of the Committee may not accept any consulting, advisory or other compensatory fee (other than regular Board and Committee fees) from the Company or any of its affiliates. Members also may not receive any indirect payments from the Company or any of its affiliates, including payments (whether or not material) made to spouses or family members, or payments for services to law firms, accounting firms, consulting firms and investment banks for which the Committee member serves as a partner, member, managing director or executive. The members of the Committee and the Chair will be appointed annually by the Board and each member shall serve until the next Annual General Meeting of the shareholders of the Company or until his or her earlier resignation or removal by the Board.
- 2.2 Every Committee member must be financially literate as defined by National Instrument 52-110 *Audit Committees*. The determination of whether any given member of the Committee meets such definition, will be made by the Board, in consultation with the Corporate Governance Committee, in accordance with applicable laws, policies and guidelines of securities regulatory authorities.
- 2.3 The Committee should meet at least quarterly. Special meetings should be authorized at the request of any member of the Committee or at the request of the external auditor, internal auditor or senior members of management. The external and internal auditors should have the right to attend all meetings of the Committee.

- 2.4 The Committee has access to Corus senior management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.
- 2.5 The Board should be kept informed of the Committee's activities by a report following each Committee meeting. The person designated to act as secretary should prepare minutes of all meetings, to be filed in the corporate records.
- 2.6 The Committee has the authority to engage the services of independent outside advisors or counsel in consultation with the Executive Chair and to set and pay the compensation for these advisors.
- 2.7 The secretary to the Committee shall be either the Corporate Secretary or a person delegated by the Chair and that person will be responsible to keep minutes of all meetings.
- 2.8 Notice of each meeting of the Committee shall be given to each member of the Committee as far in advance of the time for the meeting as possible, but in any event, not later than 24 hours preceding the time stipulated for the meeting (unless otherwise waived by all members of the Committee). Each notice of meeting shall state the nature of the business to be transacted at the meeting in reasonable detail and to the extent practicable, be accompanied by copies of documentation to be considered at the meeting.
- 2.9 A quorum for the transaction of business at a meeting shall consist of not less than a majority of the members of the Committee. Members of the Committee may participate in any meeting by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating by any such means shall be deemed to be present at that meeting. Senior management of the Company and other parties may attend meetings of the Committee, as may be deemed appropriate by the Committee.

3. Duties and Responsibilities

The Committee has the responsibilities and powers set forth in this Charter:

General

- 3.1 The Committee shall review and reassess the charter at least annually and obtain the approval of the Board.
- 3.2 The Committee shall perform an evaluation of its performance at least biennially to determine whether it is functioning effectively.
- 3.3 The Committee shall meet separately, periodically, as it deems appropriate, with management, with internal auditors and with external auditors.

Financial Statements and other Reports

- 3.4 The Committee has the authority to communicate directly with the internal and external auditors and shall review the Company's quarterly and annual financial statements, Management's Discussion and Analysis ("MD&A"), Annual Information Form ("AIF"), Management Information Circular ("MIC") and annual and interim earnings press releases prior to their release and make recommendations to the Board for their approval. In addition, the Committee will review any report of management that accompanies published financial statements.
- 3.5 The Committee's review of the annual audited financial statements shall include but are not limited to the following: (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; (ii) major issues as to the adequacy of the Company's internal controls and any specific remedial actions adopted in light of material control deficiencies; (iii) discussions with management and the external auditors regarding significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the reasonableness of those judgments; (iv) consideration of the effect of regulatory accounting initiatives, as well as off-balance sheet structures on the financial statements; (v) consideration of the judgment of both management and the external auditors about the quality and disclosure, not just the acceptability, of accounting principles; (vi) the clarity of the disclosures in the financial statements; and (vii) discussions with management and the external auditors regarding accounting adjustments that were noted or proposed by the external auditors but were "passed" (as immaterial or otherwise).
- 3.6 The Committee shall, on an annual basis, review and assess the adequacy of the Company's procedures in place for the review of the Company's public disclosure of financial information extracted or derived from the issuer's financial statements, other than the information referred to in subsection 3.5.

Risk Management, Internal Controls and Information Systems

- 3.7 The Committee shall discuss with management, the internal auditors and the external auditors the adequacy and effectiveness of disclosure controls and procedures and internal control over financial reporting, including any significant deficiencies or material weaknesses identified by management of the Company in connection with its required quarterly certifications with securities regulatory authorities.
- 3.8 The Committee shall review management's assessment of the effectiveness of internal control over financial reporting as of the end of the most recent fiscal year.
- 3.9 The Committee shall review with management, the external auditor and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements.
- 3.10 The Committee shall monitor compliance with statutory laws and regulations and obtain regular updates from management and the Company's legal counsel regarding compliance matters.
- 3.11 The Committee is responsible for establishing appropriate processes and procedures for the receipt, retention, and treatment of accounting, internal controls or auditing matter complaints received by the company. In addition the Committee shall ensure that the company has a mechanism to allow employees to communicate concerns regarding questionable accounting or auditing matters on a confidential, anonymous basis without fear of reprisal.

- 3.12 The Committee shall discuss the Company's policies with respect to risk assessment and risk management, including the risk of fraud. The Committee also shall discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

External Audit Services

- 3.13 The external auditors will report directly to the Committee.
- 3.14 The Committee will recommend to the Board of Directors:
- (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services of the Company; and
 - (b) the compensation of the external auditor.
- 3.15 The Committee will oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including but not limited to the following:
- (a) reviewing objectives and scope of audit, review or attest services;
 - (b) reviewing the results of the external audit and any changes in accounting practices or policies and the financial statement impact thereof;
 - (c) reviewing any accruals, provisions or estimates that have a significant effect upon the financial statements; and
 - (d) reviewing any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the external auditors' activities or access to requested information, and management's response.
- 3.16 The Committee will pre-approve all audit and non-audit services provided to the Company or its subsidiaries by the external auditors and shall not engage the external auditors to perform non-audit services proscribed by law or regulation.
- 3.17 The Committee may delegate to one or more members of the Committee the authority to pre-approve any audit and non-audit services up to a pre-determined cap in satisfaction of the requirement under subsection 3.17.
- 3.18 The pre-approval of audit and non-audit services pursuant to subsection 3.17 must be presented to the Committee at its first scheduled meeting following such pre-approval.
- 3.19 The Committee shall determine that the external audit firm has a process in place to address the rotation of the lead audit partner and other audit partners serving the account in accordance with applicable laws, policies and guidelines of securities regulatory authorities.
- 3.20 At least annually, the Committee shall obtain and review a report by the external auditors describing:
- (i) the audit firm's internal quality control procedures; (ii) any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the audit firm, and any steps taken to deal with any such issues; and (iii) all relationships between the external auditors and the Company (to assess the auditor's independence).
- 3.21 The Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors.

Internal Audit

- 3.22 The internal auditors will report directly to the Committee.
- 3.23 The Committee will oversee the work of the internal auditor including but not limited to the following:
- (a) reviewing the objectives and scope of internal audit plans;
 - (b) reviewing the quarterly reports summarizing audit activities for the quarter;
 - (c) reviewing the audit findings of internal audits;
 - (d) reviewing the findings from any special investigations as needed; and
 - (e) reviewing any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the internal auditors' activities or access to requested information, and management's response.

4. Committee Timetable

The Committee shall fulfill its oversight responsibilities primarily by carrying out the activities set forth in a detailed quarterly schedule, as well as all such other actions which may be incidental thereto or which may be necessary for the Committee to comply with the spirit and intent of this Charter. The items enumerated in the schedule are not intended to be exhaustive of the duties of the Committee. The schedule is reviewed annually by the Board and may be supplemented and revised from time to time as may be appropriate.

5. Committee Chair – Job Description

At the time of the annual appointment of the members of the Audit committee, the Board of Directors shall appoint a Chair of the Audit Committee. In the absence of the appointed Chair of the Committee from any meeting, the members shall elect a Chair from those in attendance to act as Chair of the meeting. The Chair shall: be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee's compliance with this charter, work with management to develop the Audit Committee's annual work-plan and provide reports of the Audit Committee to the Board. The Chair may vote on any matter requiring a vote and shall provide a second vote in the case of a tie vote.



ENTERTAINMENT