



ENTERTAINMENT

ANNUAL INFORMATION FORM

Fiscal year ended August 31, 2009

Corus Entertainment Inc.

November 12, 2009

ANNUAL INFORMATION FORM - CORUS ENTERTAINMENT INC.

Table of Contents

FORWARD-LOOKING STATEMENTS	3
INCORPORATION OF CORUS	4
Organization and Name.....	4
Subsidiaries and Affiliates	4
GENERAL DEVELOPMENT OF THE BUSINESS	5
Historical Background.....	5
Significant Acquisitions and Divestitures	5
DESCRIPTION OF THE BUSINESS	6
Radio.....	6
Description of the Industry	6
Business Overview	7
Operating Strategy.....	9
Competition Conditions	10
Television.....	10
Description of the Industry	10
Business Overview	13
Operating Strategy.....	15
Competition Conditions	17
ADDITIONAL INFORMATION CONCERNING CORUS' BUSINESSES	18
Intangible Properties	18
Seasonality and Cycles.....	19
Economic Dependence.....	19
Environmental	19
Employees	19
Foreign Operations.....	20
Lending	20
Bankruptcy.....	20
Reorganizations	20
Social or Environmental Policies	20
Risk Factors.....	20
Control of Corus by the Shaw family	20
CANADIAN COMMUNICATIONS INDUSTRY – REGULATORY ENVIRONMENT	21
Canadian Radio-television and Telecommunications Commission.....	21
Industry Canada.....	21
Restrictions on Non-Canadian Ownership	22
Broadcasting Services.....	22
Radio Undertakings	22
Specialty and Premium Television Undertakings	23
Local Television Undertakings	23
Cable Advertising Services.....	24
Canadian Content Requirement for Broadcasters	24
Film and Television Tax Credits and Grants	25
International Treaty Co-Productions.....	25
Competition Act Requirements.....	25
Investment Canada Act	25
Copyright Act Requirements	26
CAPITAL STRUCTURE	26
Description of Capital Structure	26
Share Constraints	30

Ratings	31
MARKET FOR SECURITIES	31
Marketplaces	31
Trading Price and Volume	31
DIVIDEND POLICY.....	32
NORMAL COURSE ISSUER BID	33
DIRECTORS	33
OFFICERS	35
AUDIT COMMITTEE.....	35
Charter.....	35
Composition of the Audit Committee	35
Principal Accounting Fees and Services – Independent Auditors	36
LEGAL AND REGULATORY.....	37
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	37
TRANSFER AGENTS.....	38
MATERIAL CONTRACTS	38
Senior Secured Credit Facility.....	38
Cross Currency Interest Rate Swaps.....	39
INTERESTS OF EXPERTS	39
ADDITIONAL INFORMATION	39
CORPORATE GOVERNANCE PRACTICES	39
SCHEDULE A – AUDIT COMMITTEE CHARTER.....	40

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 related to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including advertising, program, merchandise and subscription revenues, operating costs and tariffs, taxes and fees. and can generally be identified by the use of the 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, program, merchandise 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 arises after the date thereof or otherwise.

INCORPORATION OF CORUS

Organization and Name

Corus Entertainment Inc. (“Corus” or the “Company”) is a Canadian based media and entertainment company with interests in radio broadcasting, television broadcasting, and the production and distribution of children’s media content. 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. It 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 programming, digital audio services and cable advertising services businesses, as well as certain investments held by Shaw.

Corus commenced trading on the Toronto Stock Exchange (CJR.B) on September 3, 1999 and on the New York Stock Exchange (CJR) on May 10, 2000.

Corus’ registered office and an executive office is located at 501, 630 – 3rd Avenue S.W., Calgary, Alberta, T2P 4L4. A second executive office is located at Brookfield Place, Bay-Wellington Tower, Suite 1630, 181 Bay Street, P.O. Box 767, Toronto, Ontario, M5J 2T3.

Subsidiaries

The following table describes the significant operating subsidiaries of Corus as at August 31, 2009, their jurisdiction of incorporation or organization, and the percentage of voting and non-voting securities owned by Corus directly or indirectly.

Subsidiary	Jurisdiction	Percentage of securities owned by the Company
591991 BC Ltd.	British Columbia	100%
Corus Premium Television Ltd.	Canada	100%
Corus Radio Company	Nova Scotia	100%
Country Music Television Ltd.	British Columbia	80%
Encore Avenue Ltd.	Alberta	100%
Metromedia CMR Broadcasting Inc.	Canada	100%
Movie Central Ltd.	Alberta	100%
Nelvana Limited	Ontario	100%
Telelatino Network Inc.	Ontario	50.5%
TELETOON Canada Inc.	Canada	50%
VIVA Channel Inc.	Ontario	100%
W Network Inc.	Canada	100%
YTV Canada Inc	Canada	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 is an integrated Canadian media and entertainment company with an established global distribution network for the programming the Company produces. Corus has strong established brands in each of its businesses: Radio and Television. The principal assets consist of 52 radio stations; a variety of specialty television networks focused on children and adult genres; and western Canada's premium television services. The Company also owns Nelvana Limited, an international producer and distributor of children's programming and merchandise products; Kids Can Press, the largest Canadian-owned English language publisher of children's books; three broadcast television stations; and a cable advertising service.

Historical Background

Certain of the businesses of Corus were operated by Shaw prior to September 1, 1999. On that date, the shareholders of Shaw approved the Arrangement which had the effect of creating Corus as an independently operated, publicly traded company. Under the Arrangement, the assets of Shaw were separated into two distinct, publicly traded corporations: one continued under the name Shaw Communications Inc. and the other one became Corus Entertainment Inc. Shaw continues to carry on Shaw's cable television, Internet access, telecommunications and satellite businesses. Corus now owns and operates the media businesses which had previously been carried on by Shaw.

Pursuant to the Arrangement, Class A shareholders of Shaw received one Class A participating share ("Shaw Class A Share") of Shaw 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).

Significant Acquisitions and Divestitures

Since September 1, 1999, Corus has become one of Canada's leading media and entertainment companies and one of the largest radio broadcasters and specialty and premium television operators in Canada. Corus' radio and television divisions have expanded through a number of acquisitions. As well, Corus expanded its business to include production and distribution of television programs, merchandise licensing and publishing. The most significant acquisitions and divestitures in the past three fiscal years include the following:

In the first quarter of fiscal 2007, the Company completed the acquisition of an additional 10% share of TELETOON, to increase its ownership interest in this television network from 40% to 50%. The total cash consideration paid was \$46.6 million.

In the fourth quarter of fiscal 2007, the Company completed the acquisition of two radio stations. The total cash consideration paid was \$18.0 million. In fiscal 2008, the Company acquired an additional station for approximately \$1.1 million, and disposed of another station.

In the last quarter of fiscal 2007, the Company completed its sale of its controlling interest in The Canadian Documentary Channel Limited Partnership to the Canadian Broadcasting Corporation.

In the first quarter of fiscal 2009, the Company completed the acquisition of Canadian Learning Television. The total cash consideration paid was approximately \$75.0 million, including customary closing adjustments.

In the second quarter of fiscal 2009, the Company ceased operations of and completed the sale of certain assets of its residential audio service.

In the fourth quarter of fiscal 2009, the Company announced that it had reached an agreement to purchase the specialty television services Drive-In Classics and SexTV. The transaction is subject to approval by the Canadian Radio-television and Telecommunications Commission (“CRTC”).

DESCRIPTION OF THE BUSINESS

Through fiscal 2009, Corus’ principal business activities were conducted through two operating groups: 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	2009	2008
Radio	258,912	286,449
Television	530,014	500,966
Eliminations	(208)	(259)
Total revenues	788,926	787,156

Revenue streams in fiscal 2009 were derived primarily from two areas: advertising (53%) and subscriber fees (33%).

RADIO

Description of the Industry

The Canadian radio industry has historically been fragmented, with most stations being owned locally and oriented towards local advertisers and markets. In April 1998, the CRTC adopted a new radio multiple ownership policy. 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. Since then, there has been a significant amount of consolidation of ownership within the radio industry.

According to the CRTC, as of August 31, 2008, there were 628 commercial radio stations in Canada of which approximately 75% were FM stations and 25% were AM stations.

The industry is dependent upon advertising revenues for economic performance and growth. According to the CRTC, the industry generated over \$1.6 billion in revenues in 2008, a 5% increase over the previous year. Radio stations compete for advertising dollars with other radio stations and many other forms of media. According to industry sources, the radio industry captures approximately 11% of an estimated \$14.6 billion spent on advertising in Canada, compared to the newspaper and television industries, which capture approximately 17% and 23% of the total, respectively. According to the CRTC, in 2008, local advertising and national advertising represented 74% and 26%, respectively, of total radio advertising revenues.

Radio is an efficient, cost-effective medium for advertisers to reach specific demographic groups. Stations are typically classified by their on-air format, such as classic rock, country, adult contemporary, oldies and news/talk. A station’s format and style of presentation enables it to target certain demographics. By capturing a specific share of a market’s radio listening audience, with particular concentration in a targeted demographic market, a station is able to market its broadcasting time to advertisers seeking to reach that specific audience demographic. Advertisers and stations utilize data published by audience measuring services, such as Bureau of Broadcast Measurement (“BBM”), to estimate how many people within particular geographical 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.

The BBM introduced a new measurement system called the portable people meter (“PPM”) in fiscal 2009. First launched in Montreal, the PPM is a passive device which measures actual listening as opposed to relying on the listener to accurately record habits in a diary. The introduction of PPM should instill further

accountability for the advertiser. This technology is shared with the television industry. PPM will be launched in Toronto, Vancouver, Edmonton and Calgary in fiscal 2010.

Radio broadcasters are continuing to see the importance of new media outlets to work in tandem with the traditional radio stations. There is a growing need to ensure that strong local websites exist for each station to offer advertisers an opportunity to complement on-air campaigns with an interactive element not previously possible through radio streaming alone. A successful combination of on-air and on-line streaming will lead to increased brand awareness for the radio broadcaster and the advertiser and should translate to 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 flat monthly fee. Two licenses were launched in 2005 which distribute digital signals via satellite. To date, results indicate no significant impact on terrestrial radio revenues or audience tuning.

Business Overview

Corus' radio group ("Corus Radio") comprises 52 radio stations situated primarily in nine of the 10 largest Canadian markets by population and in the densely populated area of southern Ontario.

Corus Radio is the second largest radio operator in Canada in terms of audience reach and tuning. According to BBM's Survey 2 2009 ("S2 '09"), Corus had a market share of 27.1% in terms of audience reach, just behind the market leader Astral Media which had market share of 29.3%. Rogers Media and CTVglobemedia fell close behind with market shares of 18.3% and 12.9%, respectively, in terms of reach, during that same period. Corus Radio reaches one in four Canadians on a weekly basis.

Corus Radio operates stations primarily in urban centres in Canada, including Montreal, Quebec City, Toronto, Hamilton/Burlington, Winnipeg, Edmonton, Calgary and Vancouver, and in the densely populated area of southern Ontario. Corus Radio operates news/talk stations in eight out of Canada's ten largest markets by population (Toronto, Montreal, Vancouver, Calgary, Edmonton, Winnipeg, Hamilton and London). Corus is well positioned in the Toronto market through its three stations that focus on adults 18 to 54: Q107, 102.1 The Edge and AM 640. Corus Radio news/talk stations continue to be the most listened to AM stations in Calgary, Edmonton, Vancouver and Winnipeg, measured by audience tuning.

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. The following table sets out particulars of Corus' radio stations as at October 31, 2009:

Location	Call letter	Frequency	Format	Target	Rank	Audience share (i)
B.C.						
Vancouver	CKNW (CKNW 980)	AM	News/Talk	A35+	1	13.6
	CFOX (The Fox)	FM	Active rock	M18-49	4	8.9
	CFMI (Rock 101)	FM	Classic rock	M25-54	1	13.5
	CHMJ (AM 730)	AM	Traffic	A18+	16	0.7
Alberta						
Calgary	CKRY (Country 105)	FM	Country	A35-54	4	8.6
	CHQR (QR77)	AM	News/Talk	A35+	1	13.3
	CFGQ (Q107)	FM	Classic rock	M25-54	11	4.8
Edmonton	CHED (630 CHED)	AM	News/Talk	A25+	1	12.6
	CKNG (JOE)	FM	80's/90's	A25-49	7	7.7
	CISN (CISN Country)	FM	New country	F35-54	1	13.7
	CHQT (i880 News)	AM	News	A25-54	14	0.5

Manitoba						
Winnipeg	CJOB (CJOB 680)	AM	News/Talk/Sports	A25+	1	19.5
	CJGV (Groove FM)	FM	Smooth adult jazz	A35-64	10	2.2
	CJKR (Power 97)	FM	Rock	M18-34	1	26.0
Ontario						
Barrie	CIQB (B101)	FM	Contemporary hit	F18-49	1	21.3
	CHAY (FM93)	FM	Adult contemporary	A25-54	4	6.8
Burlington	CING (Country 95.3)	FM	Country	A25-49	3	7.2
Cambridge	CJDV (DAVE)	FM	Variety Rock	M35-49	1	14.1
Collingwood	CKCB (The Peak)	FM	Adult contemporary	A25-54	NA	NA
Cornwall	CFLG (Variety 104.5)	FM	Adult contemporary	A25-49	1	30.9
	CJSS (Rock 101.9)	FM	Rock	M25-54	2	13.1
	CJUL (AM1220)	AM	News/Talk/Oldies	A35-64	4	4.5
Guelph	CJOY (1460 CJOY)	AM	Oldies	A45+	1	13.3
	CIMJ (Magic 106.1)	FM	Adult contemporary	A25-49	1	18.2
Hamilton	CJXY (Y108)	FM	Rock hits	M25-49	2	9.8
	CHML (AM 900)	AM	News/Talk	A35+	2	8.8
Kingston	CFMK (FM96)	FM	Classic Rock	M25-54	3	10.3
	CFFX (Lite 104.3)	FM	Adult contemporary	F25-54	5	5.0
Kitchener	CKBT (91.5 The Beat)	FM	Contemporary hit	A25-44	1	12.6
London	CFPL (FM 96)	FM	Mainstream Rock	M18-49	1	23.9
	CFPL (AM 980)	AM	News/Talk	A35-64	9	2.7
	CFHK (Fresh FM)	FM	Hot AC	F18-49	1	18.1
Peterborough	CKWF (The Wolf)	FM	Rock	A25-49	1	29.4
	CKRU (980 Kruz)	FM	Oldies/Sports	A35+	3	14.9
Toronto	CFNY (102.1 The Edge)	FM	New rock	M18-34	1	18.3
	CILQ (Q107)	FM	Classic rock	M25-54	1	13.4
	CFMJ (AM 640)	AM	News/Talk	M25-49	12	2.8
Woodstock	CKDK (1039 FM)	FM	Classic hits	A35-64	1	10.1
Quebec						
Gatineau	CJRC	FM	Adult contemporary	A35-54	3	6.2
Montreal	CFQR (The Q)	FM	Adult contemporary	F25-54	2	21.1
	CINW	AM	Greatest hits	A35+	7	2.8
	CKOI	FM	Contemporary hit	A25-44	2	15.6
	CKAC	AM	Sports	M25-54	9	4.9
	CHMP	FM	News/Talk	A25-54	7	6.4
	CINF (Info 690)	AM	News	A35+	13	1.0
Quebec City	CFOM	FM	Adult contemporary	A35-54	2	15.1
	CFEL	FM	Soft rock	A25-44	9	1.9
Saguenay	CKRS	FM	Adult contemporary	A35-54	4	7.7
St. Jerome	CIME	FM	Adult contemporary	A25-54	1	15.9
Sherbrooke	CHLT	FM	Adult contemporary	A35-54	5	4.9
	CKOY	FM	Contemporary hit	A25-44	4	8.4
Trois Rivieres	CHLN	FM	Adult contemporary	A35-54	4	5.0

(i) Sources: S2'09 – Vancouver, Calgary, Edmonton, Winnipeg, Barrie, Hamilton, Kingston, Kitchener, London, Toronto, Gatineau, Quebec City, Saguenay, Sherbrooke, Trois Rivieres; R3'09 – Montreal; S4'08 – Cornwall, Guelph, Peterborough, Woodstock, St. Jerome

Corus Radio derives the majority of its revenues from advertising sales. Revenues for fiscal 2009 and 2008 were \$259 million and \$286 million, respectively.

Revenues from Corus Radio are derived mainly from two types of advertising: (a) advertising by local advertisers who are generally local merchants and who operate in the trading area encompassed by the station's signal; and (b) advertising by national businesses such as automotive manufacturers, breweries, banks, 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 the given market. In 2009, approximately 75% of Corus Radio's advertising revenues were derived from local advertising.

In addition to advertising revenues, Corus Radio derives a smaller portion of its revenues through non-traditional revenue sources (non-airtime). Websites have proven to be extremely popular with audiences and advertisers and are a growing source of revenue. Corus Radio has very loyal listeners that continue to be connected to the station for the music, the hosts, the events and information-entertainment that is present on Corus websites. With approximately 1,400,000 people registered to Corus Radio's stations' web-clubs and permission-based e-mail, the stations are able to develop one-to-one relationships and connect audiences with advertisers in areas that meet their needs. Other sources of non-traditional revenue include sponsorships, concerts and other events that allow Corus Radio to diversify its revenue streams and reach more potential listeners.

Operating Strategy

Corus Radio has a focused strategy for the coming fiscal year. It will continue to emphasize growth in the listener and advertising base in the top 10 markets in Canada. It will strengthen core competencies of both sales management and programming. Corus will seek to dominate its target demographics. The Company will leverage new media to connect audiences with advertisers.

Corus Radio is committed to providing the best quality in programming for the listener. Corus Radio stations boast key proprietary personalities that are both highly recognized in their communities and dedicated to Corus programming standards. The Company is committed to reformatting stations when research shows that there is a need. In fiscal 2009, Corus' recently reformatted stations continued to gain traction with their targeted demographics.

Corus Radio aims to be rated by audience measuring services, such as BBM, as number one or two in the targeted demographic for their relevant markets, by continuing to provide attractive programming. Corus Radio has a clustering strategy pairing AM and FM radio stations to the limits allowed by the CRTC for the given market. Such 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 between radio stations, thereby improving operating margins.

Corus Radio is also committed to having the best radio sales force in the industry. In 2002, Corus launched Corus Radio Sales University, an internal training course designed to provide the sales team with the tools to succeed. Stage one is an 80-hour on-line training session that is an orientation to customer-focused selling. Stage two involves on-site training and customer calls with the trainer who visits every major market cluster at least twice a year. To date, all of the Corus radio sellers and managers in the major markets have completed both stage one and two of the training. All new sales representatives and managers hired by Corus must participate in the training.

Corus owns a 50% stake in Canadian Broadcast Sales ("CBS"), in partnership with Rogers Media. CBS is Canada's leading national sales representation firm. In addition, Corus Radio operates Group Force Radio, a joint venture with Cogeco. Group Force Radio focuses on developing and delivering increased National revenues specific to the province of Quebec.

Corus Radio will continue to leverage new media to expand its audience and give new opportunities to advertisers through a series of strong local websites to complement Corus' radio stations. On-line audio streaming through websites affords the broadcaster and advertiser a more personal connection with the listener not available through traditional radio.

Competitive Conditions

Radio stations compete for advertising dollars with other radio stations in their respective market areas as well as with other forms of media such as conventional television, specialty television networks, daily, weekly, and free-distribution newspapers, outdoor billboard advertising, magazines, other print media, direct mail marketing, and the Internet. In each market, Corus' radio stations face competition from other stations with substantial financial resources, including stations targeting the same demographic groups. In markets near the U.S. border, such as Kingston, Corus also competes with U.S. radio stations. On a national level, Corus competes generally with Astral Media, Rogers Media and CTVglobemedia, each of which owns and operates stations across Canada.

Factors that are material to competitive position include the station's rank in its demographic, market share of audience, authorized power, assigned frequency, audience characteristics, local program acceptance and the number and characteristics of stations in the market area.

TELEVISION

Corus' television group ("Corus Television") comprises specialty television networks, premium pay television services, three local television stations, other media services and the Content group which consists of the production and distribution of television programs and the merchandising of related products and rights.

Description of the Industry

According to the CRTC Communications Monitoring Report 2009, there were approximately 11.1 million subscribers to television programming services in 2008. There were approximately 7.9 million cable subscribers and 2.7 million direct-to-home ("DTH") satellite and multipoint distribution systems ("MDS") subscribers. Total digital subscribers were approximately 6.8 million, up from 6.2 million a year earlier.

Specialty and Premium Pay Television Networks

Specialty and premium pay television networks generated \$2.9 billion of combined advertising and subscriber revenues in 2008. Specialty and premium television networks are available to those Canadians who subscribe to the service package of a particular broadcasting distribution undertaking ("BDU") (i.e. cable television, direct-to-home satellite and multipoint distribution systems). Specialty television networks provide special interest, news, sports, arts and entertainment programming, while premium television networks provide commercial-free movies, series and special event programming.

Specialty and premium pay television networks each obtain revenues by charging a monthly subscriber fee to cable and direct-to-home satellite operators. Subscriber fees are the sole source of revenues for licensed premium television services, while specialty services can also generate advertising revenue. The CRTC regulates the maximum subscriber fee if the network is included as part of the basic cable service of a large cable operator, but not if the network is carried on a discretionary tier. Regardless, the amount of the subscriber fee is specified in the network's agreement with the BDU. Digital specialty services are carried on a discretionary tier of digital-only theme packages, as a stand-alone digital offering, or as part of individual premium services provided to digital subscribers. Specialty and premium television networks benefit from these subscriber fees, which are supported by the high level of cable and satellite penetration in Canada. Subscribers to discretionary tiers pay monthly fees to their BDU that reflect an amount for the basic service, plus an additional amount for specialty and premium television networks for which they subscribe on discretionary tiers.

Because 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 cable network in a discretionary tier depends primarily upon pricing and subscriber preference. A specialty television network's subscriber penetration will also benefit to the extent 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 on basic service.

Unlike premium television networks, which are prevented by CRTC regulations from obtaining advertising revenues, specialty television networks may obtain both subscriber and national advertising revenues. Specialty television networks appeal to advertisers seeking highly targeted markets. The CRTC limits national advertising to 12 minutes 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 cable and DTH satellite operators. According to the CRTC, television advertising in 2008 totaled approximately \$3.4 billion in Canada. Specialty television networks received a 30% share of total television advertising revenues, or approximately \$1 billion, up from \$949 million or a 29 % share of total television advertising revenues in 2007.

Canadian specialty and premium television networks have experienced subscriber growth over the past decade due to the advances in cable-based delivery systems and the growth of DTH satellite services. In November 2000, a number of new digital specialty television network licenses were awarded by the CRTC for launch commencing September 2001. Of these licenses, 21 were Category 1 and 262 were Category 2. Since the initial awarding of 262 Category 2 licenses, additional Category 2 licenses have been granted. However, as of December 2008, only approximately 83 Category 2 digital networks are in operation.

Production and Distribution

In recent years 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 program dedicated children's blocks and other programming exclusively for children. Corus' content is seen in more than 190 countries on over-the-air, analog and digital platforms.

Over the past few years, the children's television market has fundamentally changed. Demand for production has slowed due to consolidation and vertical integration of U.S. production studios and television networks.

Despite the current environment, the long-term outlook for the worldwide animation business and the children's entertainment sector is favorable. Future growth in the sector is being fueled by:

- the growth of the 3D animation market;
- the shift of audiences from traditional broadcast networks to cable networks;
- the growth of digital television services, providing a new platform for additional cable and satellite services and thereby new programming opportunities;
- the continued international expansion by all types of programming services, including major U.S. broadcasters and domestic children's services;
- the growth in demand for content featuring recognizable characters on the Internet; and
- the emerging platforms for content distribution (i.e. video on demand, subscription video on demand, broadband, cell phones and video games).

According to industry sources, total spending on filmed entertainment, which includes feature films, video, television shows, animation and other programming worldwide is expected to grow from an estimated US\$83.9 billion in 2008 to US\$102.2 billion in 2013.

The home entertainment market is a US\$55.6 billion industry worldwide, and includes DVD & VHS sales and in-store rental and online rental subscription revenues. Over the longer run, growth in Blu-ray HD videos will offset a declining DVD market and propel overall sell-through. Rentals will benefit from a weak economy in the near term because their lower prices will be more attractive. Over the longer run, competition from video-on-demand and online distribution will cut into in-store rental. Faster broadband speeds and devices that allow TV viewing will propel a small digital download market. Growth is expected to continue due to two factors: (1) increased penetration of HD TV systems, which in turn will spur DVD sell-through as customers upgrade their DVD collections to HD and to Blu-ray, (2) the launch of new digital

download-to-own and subscription streaming services, which make available a broader selection of content to customers.

Merchandising

According to industry sources, in 2007 licensed retail sales in the United States and Canada were approximately US\$68.7 billion. All of Corus' character brands fall into the entertainment/character property type category, which, according to industry sources, accounted for US\$12.2 billion of retail sales in the United States and Canada in 2007. The entertainment/character property type category accounts for 18% of total licenses retail sales in the United States and Canada in 2007.

Local Television

Local 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. Canadian conventional television stations generate revenue from advertising and receive no subscription revenues. There is no limit of commercial message 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. In the case of stations affiliated with the CBC, the local, private affiliated station receives a fee from the CBC to air or broadcast CBC national programming at certain designated times, in addition to being able to generate advertising revenues.

Other Media Businesses

Cable advertising services provide commercial customers with wide coverage, high-frequency advertising at rates that are competitive with other forms of media. The business is exempt from licensing or regulatory requirements. An access fee is paid to the cable provider.

New Products

The trend in the television sector is in innovative new products and services in the digital environment. The emphasis on instant gratification for consumers is dominating the industry. New product offerings will fuel growth in the digital sector, reduce churn and contribute to incremental revenue growth. Video-on-demand ("VOD"); Subscription video-on-demand ("SVOD"); High Definition Television ("HDTV"); and Personal Video Recorders ("PVR") all provide greater choice in delivery to the consumer and increase the amount of digital subscriptions for the provider. A description of these new digital products is as follows:

- VOD provides an alternate method for the supply of video and related content material over cable and telecommunications networks. For broadcasters it represents a fundamental shift from a linear program service to the consumer having complete control over the programming segment.
- SVOD is a video-on-demand service offered at a flat subscription price that provides viewers with unlimited access to select programs from the libraries of featured cable networks.
- HDTV is a high-resolution digital television service combined with Dolby Digital surround sound. This combination creates an unparalleled combination of sound and image. HDTV requires new production and transmission equipment at the HDTV stations, as well as new equipment for reception by the consumer. The higher resolution picture is the main selling point for HDTV.
- A PVR is a Personal Video Recorder or an interactive television recording device. Like the VCR, a PVR records and plays back television programs, but unlike the VCR, it stores the programs in digital as opposed to analog form, allowing the user the ability to watch what they want when they want.

Business Overview

Corus had the following interests in specialty and premium television networks which we are broadcasting in Canada as at November 6, 2009:

Network	Description of programming	Interest
YTV	Children/Family	100%
Treehouse TV	Preschool children/Parents	100%
W Network	Lifestyle and entertainment geared to women	100%
Country Music Television	Country music/Country lifestyle	80%
Telelatino	Canadian-Italian and Spanish	50.5%
TELETOON	Children/Family/Adult animation	50%
The Food Network Canada	Food related	20%
Movie Central	Premium movies and series	100%
Encore Avenue	Classic movies	100%
Nickelodeon (Digital Service)	Children/Family	100%
DUSK (formerly SCREAM TV) (Digital Service)	Suspense and thriller movies and series	51%
VIVA (formerly Canadian Learning Television)	Formal and informal educational programming	100%
Cosmopolitan TV	Lifestyle and entertainment geared to working women aged 18 to 34	54%

Specialty Television Networks

Corus Television's group of specialty television networks appeal particularly to kids, teens and women, much-coveted target groups among Canadian marketers. Our television networks, W Network, YTV and Treehouse are all ranked among the top three analog television networks based on targeted demographics.

YTV is a specialty television network dedicated to programming for children and teens aged two to 17. YTV has the highest average weekly reach of any Canadian specialty network for Kids 2-11 based on the BBM NMR 08/09 broadcast year data. This network reaches children beyond the television with interactive events and initiatives including *ytv.com*, a top Canadian kids' website. YTV is generally carried on the basic tier.

Treehouse TV is a specialty service in Canada dedicated to preschoolers (aged two to five). Treehouse TV operates on a 24-hour basis offering a commercial-free television environment in its preschool programming that reflects the interests and developmental levels of young children. Treehouse TV broadcasts all of the top 50 preschool shows in Canada, based on BBM NMR 08/09 broadcast year data.

W Network is a specialty television service dedicated to serving the needs and interests of women. On April 15, 2002, the service, which was previously known as WTN, was rebranded, reformatted and relaunched as W Network. Since the relaunch, BBM NMR statistics show that W Network has achieved a 122% growth in its average audience for its core demographic of women 25-54. Recent Nielsen statistics indicate that W Network has the highest average minute audience of all Canadian specialty networks for women 25 to 54 with a 12% lead over its nearest competitor.

Country Music Television ("CMT") is a specialty service dedicated to exhibiting country music videos, a prime-time lineup of comedy and drama series, movies and specials, music programming and daily entertainment news. In 2000, the network established the Video Advantage Program to support the development and production of original Canadian music videos for emerging artists. Corus has a 90% voting interest and an 80% equity interest in CMT. The remaining 10% voting interest and 20% equity interest is held by Country Music Television Inc., the operator of a similar service in the United States.

Telelatino, in which Corus acquired a controlling interest in November 2001, is an ethnic specialty service that offers general interest domestic and international programming in the Italian, Spanish and English languages.

Canadian Learning Television was acquired by Corus on September 1, 2008. The service was rebranded in November 2008 to VIVA and will focus on boomer women, women 35 to 54.

Currently, Corus offers three digital specialty television networks:

- (1) SCREAM TV, rebranded September 2009 to DUSK, which offers suspense and thriller theme through a movie-rich schedule of classic and modern thrillers, cult favorites and popular series;
- (2) Cosmopolitan TV, which offers lifestyle and entertainment programming, geared towards women 18 to 34; and
- (3) Nickelodeon which offers children programming featuring a line-up of award winning Nick properties, from current live-action comedies and animated favourites to classic hits 24 hours a day, geared towards kids 6 to 11.

DUSK (formally SCREAM TV) was launched in September 2001, Cosmopolitan TV was launched in February 2008 and Nickelodeon launched on November 2, 2009. Discovery Kids ceased being broadcast on November 1, 2009.

Corus also holds interests in the following specialty television networks:

- A 50% interest in TELETOON, which is a Canadian specialty service featuring a wide range of animation programming in all forms. TELETOON is available in both an English language version and a French language version. In 2007 Corus increased its ownership interest from 40% to 50%. TELETOON launched a new English language digital channel, TELETOON Retro in October 2007. TELETOON Retro French, launched in September 2008.
- A 20% equity interest in The Food Network Canada, a specialty service which provides information and entertainment programming related to food and nutrition.

Revenues from Corus' specialty television networks are derived primarily from subscriber fees and advertising. In fiscal 2009, subscriber fees accounted for 37% and advertising accounted for 45% of total revenues from the specialty television networks.

Premium Television Networks

Movie Central and Encore Avenue provide premium television services in western Canada, featuring blockbuster movies, series and specials from diverse genres on six channels. Each channel broadcasts commercial-free 24 hours a day, seven days a week. *The Movie Central* brand consists of four channels standard definition channels including HBO Canada and two high definition channels including HBO Canada HD and the *Encore* brand consists of two standard definition channels and one high definition channel.

Revenues from premium television networks have experienced significant growth over the past three years as a result of increased direct-to-home satellite and digital cable subscribers. As at August 31, 2009, Corus' Movie Central service had 953,000 subscribers, a 7% increase in year-over-year subscribers, representing penetration of approximately 39% of digital cable and direct-to-home satellite subscribers in western Canada.

Production and Distribution

Nelvana Enterprises distributes programming that has been developed and produced by the Nelvana Studio. Nelvana Enterprises distributes programming to broadcasters in over 190 countries, including some of the world's leading networks, such as Nickelodeon, the Disney Channel, HBO, ITV in the United Kingdom and France 3. Programming is distributed through three sales and distribution offices located in Toronto, Canada, Shannon, Ireland and Paris, France.

At August 31, 2009, Nelvana Enterprises' program library totaled over 3,000 half-hour equivalent episodes, comprising 89 animated television series, 12 specials, 13 animated feature length films and 10 live action series. Children's animated programs generally have longer life spans than those of live action programs because they can typically be resold continually to new generations of audiences around the world. The United States television market is Nelvana's largest source of revenue accounting for 43% of production and distribution revenues in fiscal 2009, compared to 29% from the Canadian market and 27% from the International market.

Merchandising

Television's merchandising business contains some of Nelvana's most popular characters, including *Bakugan*, *Franklin*, *Babar*, and *Backyardigans*, which have achieved recognition and popularity worldwide and have become valuable long-term merchandising brands. Nelvana Enterprises' merchandising efforts focus on marketing its most popular brands and co-coordinating with retailers to promote its character merchandise in North America and around the world. Nelvana Enterprises becomes either the licensor or agent, on behalf of the owner of the property, for most product categories, including toys, plush, apparel, gifts, book publishing and interactive products for brands produced by the studio or acquired from third parties. Highlights in fiscal 2009 include *Bakugan* being named Overall Best Licensed Program of the Year by International Licensing Industry Merchandisers' Association ('LIMA') as well as the ongoing rollout of *Backyardigans* in key international markets.

Publishing

Television's publishing business is conducted through its subsidiary Kids Can Press, acquired in 1998. Kids Can Press is the largest Canadian-owned English language publisher of children's books with a broad and growing backlist of titles. The Kids Can Press catalogue includes titles such as Franklin and Scaredy Squirrel.

Local Television

Corus owns three local television stations - one in each of Kingston, Peterborough and Oshawa, Ontario. Each is an affiliate of the CBC. These were acquired in April 2000 as part of the Power Broadcasting acquisition.

Revenues are almost exclusively derived from advertising. In fiscal 2009, national agency directed clients and local advertisers accounted for a combined 76% of revenues. CBC network affiliate payments amounted to 11% of revenues, with the remaining 13% originating from a variety of other sources.

The Corus local television stations are eligible to receive both the Small Market Local Programming Fund ("SMLPF") and the Local Program Improvement Fund ("LPIF").

Other Media Services

Corus Custom Networks ("CCN") primarily operates TV listings channels, providing viewers with current and easily accessible listings for the local cable television program lineup. Revenues for Corus Custom Networks are derived through advertising.

Operating Strategy

Corus has reorganized its television division to focus on two strategic portfolios. The Kids' portfolio includes YTV, Treehouse TV, TELETOON, Nickelodeon, the Nelvana Studio and Nelvana Enterprises. The consolidation of the kids assets will allow for shared programming, a streamlined development process, the ability to create and maintain multi-platform rights in Canada and ensure stable output with cost certainty for the studio. The Specialty and Pay portfolio includes the operations of W Network, CMT, Teletatino, Movie Central, Encore Avenue, VIVA, Cosmopolitan TV and DUSK. Management is responsible for generating program buying synergies, developing strategies for integrating operations where possible, as well as consolidating cross-promotion and marketing opportunities and joint sales initiatives.

Corus Television's operating strategy remains focused on four key areas: (i) increasing its position in the kids' and women's genres, (ii) leveraging the competitive position of Corus Premium Television, (iii) building key relationships with BDUs and (iv) maximizing operational synergies across all Corus brands.

Corus will continue to focus on managing and growing its core business. The Company will continue to explore new platform opportunities and make investments to test where appropriate.

Kids

Corus Television continues to lead the kids' entertainment marketplace in Canada through programming on YTV, Treehouse TV, TELETOON and Nickelodeon which launched November 2nd, 2009. Corus Kids intends to drive revenue growth on our networks by building program ratings, by attracting new advertisers and building new revenue sources such as family co-view opportunities which attract advertisers looking for Moms and Dads. Corus Television will also focus on programming and operational synergies across its broadcast properties.

The integration of the kids' business (Nelvana Studios, Nelvana Enterprises and the Networks) will enable the maximization of new platform efforts, an increasingly important segment of the kids' market. The consolidation of the development streams ensures that Corus continues to create superior content which will drive ratings both in Canada and abroad. The studio will continue to provide content to Teletoon to meet that network's unique needs.

The kids' market and new media provide growth opportunities. Corus Television will continue to capitalize on the growth in the home entertainment industry, both domestically and internationally as well as seek new media platforms such as VOD, SVOD, mobile and interactive games to create new revenue streams. . Many of these distribution platforms – VOD, SVOD, cell phones and broadband – are in the early stages and are not expected to generate significant revenue for at least five years. Corus Television has established strong relationships with all of the major strategic players in the On-Demand space with an ongoing focus to unlock the value of our library with the best partners as these business models evolve.

Corus continues to be involved in qubo a kids channel in the United States which was launched in partnership with ION Networks, Classic Media, Scholastic and NBC Universal. The channel, which focuses on educational and entertaining programming, provides another outlet for Nelvana shows and is currently in approximately 42 million homes with the majority of the programming schedule made up from Corus programming.

Corus Television is also using its programming library to help launch new linear broadcast channels internationally. One such channel initiative, Kidsco, was launched in fiscal 2007 to help increase the profile of the Nelvana brands. Corus Television owns one third of the channel in partnership with NBC Universal and Cookie Jar. Kidsco is targeted to preschoolers, kids aged 6 to 11 and their families. Kidsco is currently carried in 58 countries across Asia, Europe and Africa and in approximately 8 million homes.

This ever growing number of outlets for the distribution of children's content creates a need for Corus Television to be focused on rights management. By identifying and properly tracking the full spectrum of rights attached to Nelvana properties, we are better able to optimize current deal structures. Corus Television ensures that it licenses only those specific rights required by its current customers, and retains unrelated, neighboring rights for future exploitation. This in turn will enable us to monetize emerging distribution platforms that have yet to appear in today's marketplace.

Specialty and Pay

Corus Television has achieved a leadership position in the women's genre with its W Network targeting women aged 25-54. The viewing audience in this demographic has increased 122% since the 2001-2002 season, making W Network one of the leading specialty service for women. In fiscal 2009, W Network had the highest average minute audience of all Canadian specialty networks for women 25-54, with a 12% lead over its nearest competitor. W Network intends to invest in its programming to maximize audience growth and revenue potential. W Network is building an outstanding programming schedule anchored on movie

blocks, lifestyle shows and drama and comedy series. The Company will focus on new media opportunities and platforms to deliver the programming that the target audience wants, in the format they want it in, through the wnetwork.com website and other merchandise offerings.

Cosmopolitan TV, a channel for women 18 to 34 was launched in February 2008. The channel features content about relationships and sex and is in 3.7 million households. Corus Television also added VIVA (formerly CLT) to its portfolio in September 2008. This channel is targeted to Boomer women, aged 35 to 54 and is currently in 5.7 million households.

Corus will continue to expand its specialty TV portfolio. In July 2009, Corus announced that it had reached an agreement to purchase Drive-In Classics and SexTV from CTVglobemedia. This transaction is pending CRTC approval.

Corus Premium Television will continue to operate under two separate licenses (Movie Central and Encore Avenue). Corus Premium will continue to focus on delivering high quality programming and investing in marketing to promote customer acquisition and retention. Having established a track record of successful direct marketing campaigns, undertaken with the cooperation of key cable and satellite providers, Corus will continue to capitalize on the growth in the number of digital households in western Canada as well as up-selling current digital households. Demand for movies and new original dramatic series continue to fuel strong interest in the service's programming. Movie Central has secured output agreements with major Hollywood studios for exclusive programming, such as first windows on blockbuster feature films and new HBO and Showtime products. These agreements allow Movie Central to premiere HBO series on Movie Central at the same time as they debut in the United States. On October 30, 2008, HBO Canada was launched and is available through all major cable and satellite affiliates. HBO Canada is a multiplex channel offered as part of our Movie Central package in western Canada. Astral's The Movie Network offers the same HBO Canada package in eastern Canada.

Corus Premium Television is also leading with innovative new digital product offerings which will fuel digital growth, reduce churn and contribute incremental revenues. In this regard, Corus Premium Television established the first Subscription Video on Demand product in Canada. Movie Central SVOD offers Movie Central subscribers more than 90 hours of unique programming each week including feature films from five major Hollywood studios and high-profile US series.

Movie Central has two dedicated high definition channels showcasing an unparalleled lineup of new releases in true high definition format which includes HBO Canada. Encore Avenue HD, which launched in April 2008, offers subscribers re-mastered library features in true HD.

In addition to the growth of digital products, opportunities are developing on two mainstream platforms, broadband and mobile, that are creating new revenue opportunities for Corus Premium Television. Although the products are still quite nascent, Corus believes the potential is substantial and is actively exploring and developing these opportunities with the BDUs now.

Other Media Services

Corus Custom Networks has been successfully delivering non-traditional media to a wide range of television audiences, nationally, regionally and locally. Corus Custom Networks makes television an accessible medium for businesses to connect with millions of viewers through the TV Listings Channel, our Short-Form advertising service and our Long-Form channel EyesOn TV. The TV Listings Channel offers advertisers an affordable, high-frequency way to reach audiences on analog cable. EyesOn TV is Western Canada's only Long-Form channel available on the digital tier. Corus Custom Network's high-frequency, affordable advertising is providing businesses with a communication vehicle to reach all or part of Western Canada and meet their business needs.

Competitive Conditions

The television broadcast environment is highly competitive. The principal methods of competition in broadcast television are the development and acquisition of popular programming and the development of

audience interest through programming and promotion, in order to sell advertising at profitable rates. Broadcast networks like YTV, W, CMT, VIVA, the local stations and digital channels compete for audience, advertising revenues, and programming with other broadcast networks such as CBC, CTV, Global, Rogers, other digital channels, independent television stations, basic cable program services as well as other media, including DTH television services, videocassettes, DVDs, print and the Internet.

Television stations compete for programming, audiences and advertising revenues with other stations and cable networks in their respective coverage areas and, in some cases, with respect to programming, with other station groups, and in the case of advertising revenues, with other local and national media.

Because conversion to digital television broadcasting has begun, current and future technological and regulatory developments may affect competition within the television marketplace.

Corus Television's specialty and premium television networks compete for subscriber fees with other specialty and premium television network operators, including CTVglobemedia, Canwest Global, Allarco Limited and Astral. According to the CRTC, in 2008, the Canadian specialty television and premium television network industries generated \$2.9 billion of combined advertising and subscriber revenues. Corus' specialty services also compete directly for advertising revenues with the operators of cable networks listed above and with broadcast networks, including Global, CBC and CTV, and with other advertising media. Corus' conventional television stations compete principally for viewers and advertisers with other television stations that broadcast in central and eastern Ontario.

In June 2006, the CRTC licensed a national pay television service which competes directly with Corus' premium television networks. The service launched in the fall of 2007.

The business of producing and distributing children's television programs is highly competitive. We compete with a variety of international companies, including HIT Entertainment, DIC, 4KIDS, and several U.S. studios such as the Walt Disney Company, Warner Bros., and Nickelodeon (a division of Viacom International Inc.). These U.S. studios are substantially larger, and have greater financial resources. Many have their own television networks on which their in-house productions are aired. In Canada, Corus also competes with several domestic producers and distributors such as Cookie Jar Corp. and Studio B Productions.

ADDITIONAL INFORMATION CONCERNING CORUS' BUSINESSES

a) Intangible Properties

Corus uses a number of trademarks, service marks and official marks for its products and services. Many of these brands and marks are owned and registered by Corus, and those trademarks 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 trademarks 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 trademarks 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 trademarks and proprietary rights.

Moreover, Corus can give no assurance that others will not assert rights in, or ownership of, its trademarks 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 either 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 or 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.

b) Seasonality and Cycles

Corus’ operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. Accordingly, one-quarter’s operating results are not necessarily indicative of what a subsequent quarter’s operating results will be.

For the Company’s broadcasting businesses, operating results are dependent on general advertising and retail cycles associated with consumer spending activity. Accordingly, operating results for the first quarter tend to be the strongest, reflecting pre-Christmas advertising activity, and the second quarter tends to be the weakest, consistent with lower consumer spending in winter months.

For Corus’ other businesses, operating results are dependent on such things as the timing and number of television programs made available for delivery in the period, as well as timing of merchandising royalties received, none of which can be predicted with certainty. Consequently, these operating results may fluctuate significantly from quarter to quarter. Cash flows may also fluctuate and are not necessarily closely related to revenue recognition.

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’ broadcasting businesses are dependent upon on-air talent to provide quality, consistent programming to attract advertisers. All on-air talent is under contractual obligation to the Company.

Corus Television’s premium pay television services are solely dependent on subscriber fees. The major BDUs are Rogers, Shaw, Cogeco, BEV, Videotron and Star Choice.

The Company’s regulated properties operate in a competitive environment with both regulated and unregulated competitors. Although entry by new competitors into the Company’s markets is slowed by the regulatory process, 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, 2009, Corus had approximately 1,916 full-time employees. The Company operates in a non-union environment except for: 86 employees in specialty and Ontario conventional television and radio and 21 employees in its Quebec radio operations who are members of the Communications, Energy and Paperworkers Union of Canada; 71 employees in Quebec radio operations who are members of the Syndicat

Général de la Radio; 6 employees in Quebec radio operations who are members of the Centrale Syndicat Nationale; 7 employees in Quebec radio operations who are members of the Independent Syndicat; and 7 employees in Quebec operations who are members of the Syndicat Canadien de la Fonction Publique.

There are 118 Corporate employees, 1,058 Radio employees of which 135 are unionized, and 740 Television employees of which 63 are unionized.

f) Foreign Operations

Approximately 8% of Corus' consolidated revenues for the year ended August 31, 2009 was derived from foreign operations. These consist primarily of revenues from the Company's international film distribution business.

g) Lending

Corus does not have any lending operations as a distinct or significant business. Corus has, however, provided financing through loans to its digital channels and loans to privately owned Canadian media companies and has outstanding loans to executive officers. 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 Executive Committee of the Board of Directors. Outstanding loans to executive officers were granted prior to July 31, 2002.

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

There have been no material reorganizations at Corus or any of its subsidiaries within the past three years.

j) Social or Environmental Policies

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 and members of the Board of Directors of Corus and its subsidiary companies. For purposes of rules promulgated under Section 406 of the *Sarbanes Oxley Act of 2002*, portions of this Code shall comprise the Company's "code of ethics" for senior executives and financial officers. The Code is available on the Corus Entertainment website at www.corusent.com under Investor Information.

k) Risk Factors

A discussion of risk 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, 2009, as contained in the Company's 2009 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 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

JR Shaw and members of his family and the corporations owned and controlled by JR Shaw and members of his family (the "JR Shaw Group") currently own a majority of the outstanding Class A participating shares in the capital of Corus. The Class A participating shares are the only shares entitled to vote in all

circumstances. All of the Class A participating shares held by the JR Shaw Group are subject to a Voting Trust Agreement entered into by such persons. The voting rights with respect to such Class A participating shares are exercised by the representative of a committee of five trustees. Accordingly, the JR Shaw Group is, and as long as it owns a majority of the Class A participating shares will continue to be, 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

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.

Since 1996, the CRTC has been implementing a competitive policy framework and has focused its attention on strengthening the creation of Canadian content and programming.

The current objectives of the CRTC, as articulated in its 1997 Vision Statement and revised in May 1998, are to:

- promote an environment in which existing and new communications services are available to Canadians;
- ensure a strong Canadian presence in content that fosters creative talent and reflects Canadian society, including its linguistic duality and cultural diversity;
- promote choice and diversity of high-quality communications services; and
- to foster strong competitive and socially responsive communications industries.

The CRTC "3-Year Work Plan - 2008-2011" included priorities for the communications sector which expand upon the aforementioned Vision Statement:

- a more focused regulatory approach;
- greater outreach to stakeholders; and
- an improved organization

In support of these priorities, the CRTC stated that the principles of transparency, fairness, predictability, and timeliness would be continually upheld. The CRTC defined its outcomes as:

- a strong Canadian presence on all platforms
- a globally strong and competitive communications sector; and
- informed Canadians participating in the communications system

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.

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 Canadian. 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 the 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 local television undertakings, specialty and premium television networks and pay audio services 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 and is in material compliance with conditions of license and regulatory requirements. 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 sets 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, premium television and pay audio services. 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 most 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 television, or specialty or premium television network services, a financial contribution of 10% of the value of the transaction is expected.

The CRTC’s regulations that apply to radio, conventional television and specialty and premium 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.

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, requires 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. Each commercial station is required to make a contribution to Canadian talent development initiatives ranging from an annual payment of \$27,000 for major market stations to \$400 for small market stations.

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 were slightly increased, and the list of eligible recipients was amended.

Specialty and Premium Television Networks Undertakings

Specialty and premium television networks each have varying Canadian programming and expenditure requirements set by a condition of license. These requirements 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.

Specialty television networks derive substantially all of their revenues from subscription and advertising revenues. Premium television networks derive their revenues from subscriptions and by regulation are required to be commercial free. The CRTC generally requires cable and DTH satellite distributors to carry all licensed specialty and premium television networks appropriate to the markets in which they are distributed with the exception of Category 2 digital services as described below. 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 premium television network licensees are not regulated by the CRTC.

On November 24, 2000, the CRTC announced that it would license 16 new English-language and five French-language digital programming services for mandatory distribution on a digital basis known as Category 1 services. The CRTC stated that all Category 1 services must commence operation on or before November 24, 2001, but subsequently extended this date until September 30, 2002 for certain of the French-language Category 1 services. An additional 262 Category 2 digital services were also approved by the CRTC for distribution on a digital basis and continue to be licensed by the CRTC. Category 2 services may be competitive with one another but may not be directly competitive with an existing licensed analog specialty or premium television network or a Category 1 digital service. Category 2 services have no guaranteed

distribution rights except that, if a cable or DTH satellite operator carries a Category 2 service in which it or an affiliate owns more than 10% of the issued equity, it must distribute at least five non-related Category 2 services for each related service carried. The Category 2 services licensed in the fall of 2000 were required to implement service no later than November 24, 2004, unless the CRTC approved an extension before that date. Since then, the Commission has licensed many new Category 2 services while at the same time allowing for carriage of new foreign services, especially those in third languages.

In the fall of 2006, the Commission started a policy review for over-the-air broadcasting stations. Key issues include the imposition of a fee for carriage of broadcast stations, the introduction of high definition television technology, transfer of ownership benefits payments, and closed captioning regulations. It is expected that this will be followed by a review of policies regarding pay and specialty services and broadcasting distribution undertakings.

New applications for Category 2 services are considered on an ongoing basis.

Local Television Undertakings

The CRTC reviewed its policies and regulations pertaining to Canadian television, primarily as they affect local broadcasters, and, on June 11, 1999, issued a new policy entitled “Building on Success — A Policy Framework for Canadian Television”. This policy introduced changes to the regulatory environment in an attempt to provide more flexibility and diversity for broadcasters while still providing a predominant amount of Canadian programming content.

Under this new policy, Canadian content levels for conventional private television broadcasters will remain at 60% overall and 50% in prime time. As part of its new policy, the CRTC also announced that it would not require licensees to make quantitative commitments to local news programming but would require licensees to demonstrate how they intend to respond to the demands of local viewers as part of a license renewal application. The CRTC retained its policy of requiring the provision of local programming in order to access local advertising. The CRTC also retained the existing 150% dramatic programming credit for stations not part of a large multi-stations group applicable to Canadian programming in the calculation of Canadian content requirements. As of September 1, 2000, the CRTC eliminated the Canadian programming expenditure requirements and the expectations that had been imposed on stations. As well, in a departure from past practice, the renewal of all conventional television licenses held by an ownership group is considered at the same hearing.

The entire television sector is under review at the moment as a result of the expiring licence terms of most licensed entities as well as the application of the so-called digital migration rules that will come into force on or before August 31, 2011. This review encompasses a variety of public processes that are evolving.

For up-to-date information, please consult the CRTC web site at www.crtc.gc.ca.

Cable Advertising Services

Still image and teleshopping advertising services are exempted from having to hold a CRTC license. If the CRTC is satisfied that the licensing of an undertaking will not contribute in a material manner to the implementation of the broadcasting policy outlined in the *Broadcasting Act*, it shall exempt such undertaking from licensing requirements. The CRTC has issued a number of exemption orders which allow an undertaking to be operated without a license, provided it satisfies any terms and conditions contained in the particular order. Still image and teleshopping cable advertising services operate under the terms of exemption orders.

Canadian Content Requirement for Broadcasters

As mentioned previously, Canadian conventional television services, specialty television networks and premium television networks are required to devote a certain amount of their programming schedules to Canadian productions. These requirements provide support to the market 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 or 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 and Television Tax Credits and Grants

Nelvana generally receives various federal and provincial tax credits on its television series and feature films, which typically provide benefits of between 10% and 25% of the Canadian production budget. These tax credits are calculated on the basis of each individual production.

Nelvana is also eligible to receive additional funding for its productions from various Canadian industry funding sources including the Canadian Media Fund and Telefilm Canada in respect of feature films. However, given the limited resources of these programs, Nelvana has no assurance that it will obtain these funds for future productions.

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 China, 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 \$70 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 \$70 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 up to date information, please consult: http://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, premium television and pay audio service 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 collecting societies (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, 2009, there were 3,444,362 Class A Voting Shares, 76,608,240 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 rateably 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

As a result of the successful tender offer and consent solicitation for Corus' Senior Subordinated Debt, completed in January 2006, the ratings previously assigned by Standard & Poor's and Moody's Investors Service, Inc. for Corus were withdrawn.

MARKET FOR SECURITIES

Marketplaces

The securities of the Company are listed and posted for trading on the exchanges set forth below.

Security	Exchange	Symbol
Class B Non-Voting Shares	Toronto Stock Exchange ("TSX")	CJR.B
Class B Non-Voting Shares	New York Stock Exchange ("NYSE")	CJR

Trading Price and Volume

The following table sets forth the monthly price range and volume traded for each of the Company's publicly traded securities for each month during the fiscal year ended August 31, 2009.

TSX – CJR.B				
Month	High	Low	Close	Average Daily Volume
September 2008	20.30	18.00	18.19	319,929
October 2008	19.80	13.64	14.10	251,188
November 2008	14.50	12.57	13.75	137,204
December 2008	14.10	10.69	13.97	164,571
January 2009	14.95	11.83	13.08	206,658
February 2009	14.46	12.50	13.20	135,962
March 2009	14.10	12.07	13.63	196,423
April 2009	17.76	12.90	15.90	199,305
May 2009	17.15	15.00	15.85	191,442
June 2009	16.40	14.57	14.85	162,779
July 2009	15.09	11.24	14.75	286,429
August 2009	15.65	14.33	14.97	231,189

NYSE – CJR				
Month	High	Low	Close	Average Daily Volume
September 2008	19.20	16.72	17.40	18,154
October 2008	18.41	10.73	11.74	18,177
November 2008	12.42	10.20	10.65	15,576
December 2008	11.55	8.65	11.47	17,766
January 2009	11.95	9.52	10.63	27,371
February 2009	11.75	10.01	10.47	17,365
March 2009	11.44	9.37	10.73	13,756
April 2009	14.63	10.29	13.29	13,199
May 2009	15.15	12.80	14.57	9,206
June 2009	15.08	12.70	12.73	7,399
July 2009	13.87	11.07	13.58	15,157
August 2009	14.23	12.97	13.67	5,071

All price and volume information is from independent third-party sources.

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 Voting A Shares and Class B Non-Voting Shares".

In fiscal 2009, the Company implemented a Dividend Reinvestment Plan ("DRIP"), for registered holders of Class A Voting Shares and Class B Non-Voting Shares who are residents of Canada ("eligible participants"). The DRIP allows eligible participants to acquire additional Class B Non-Voting Shares through reinvestment of the cash dividends paid on their respective shareholdings.

On September 29, 2009, the Company announced that the its Board of Directors had approved the issuance of shares from treasury at a two percent discount from the average market price, pursuant to the terms of its DRIP, effective November 1, 2009.

(b) Restrictions on Payment of Dividends

Covenants under Corus' credit agreement with a syndicate of lenders, as amended and restated on January 23, 2006, 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, 2009, as well as the annual dividend payments for the past three fiscal years, are set forth in the tables below. Amounts have been adjusted to reflect the dividend per share after giving effect to the two-for-one stock split which occurred on February 1, 2008.

Fiscal 2009 dividends paid per share		
Date paid	Class A Voting Shares	Class B Non-Voting Shares
August 31, 2009	\$0.049585	\$0.050000
July 31, 2009	\$0.049585	\$0.050000
June 30, 2009	\$0.049585	\$0.050000
May 29, 2009	\$0.049585	\$0.050000
April 30, 2009	\$0.049585	\$0.050000
March 31, 2009	\$0.049585	\$0.050000
February 27, 2009	\$0.049585	\$0.050000
January 30, 2009	\$0.049585	\$0.050000
December 31, 2008	\$0.049585	\$0.050000
November 28, 2008	\$0.049585	\$0.050000
October 31, 2008	\$0.049585	\$0.050000
September 30, 2008	\$0.049585	\$0.050000

Annual dividend payments per share			
	Fiscal 2009	Fiscal 2008	Fiscal 2007
Class A Voting Shares	\$0.59502	\$0.553345	\$0.5250
Class B Non-Voting Shares	\$0.60000	\$0.558325	\$0.5308

NORMAL COURSE ISSUER BID

From January 1, 2006 to February 14, 2009, the Company made a series of Normal Course issuer Bids for its Class B Non-Voting Shares. During this period, the Company purchased and cancelled 8,790,966 shares at an average price of \$20.45.

Expiry date	Number of shares purchased	Average price
December 31, 2006	2,178,000	\$17.90
February 14, 2008	3,000,000	\$24.23
February 14, 2009	3,612,966	\$18.83
Total	8,790,966	\$20.45

During fiscal 2009, the Company purchased 794,966 shares at an average price of \$18.97. The Company did not renew its bid upon its expiry on February 14, 2009.

DIRECTORS

Name and municipality of residence	Director since:	Principal occupation
Fernand Bélisle Breckinridge, Quebec	January 2009	Independent consultant and corporate director
John M. Cassaday Toronto, Ontario	September 1999	President and Chief Executive Officer, Corus Entertainment Inc.
Dennis Erker Edmonton, Alberta	September 1999	Partner, Fairly Erker Advisory Group
Carolyn Hursh Calgary, Alberta	December 2005	Chairman, James Richardson & Sons, Limited
Wendy A. Leaney Toronto, Ontario	July 2000	President, Wyoming Associates Ltd.
Susan Mey Toronto, Ontario	January 2009	President and Chief Executive Officer, The Green Cricket Inc.
Ronald D. Rogers Calgary, Alberta	December 2003	Corporate director/trustee

Catherine Roozen Edmonton, Alberta	July 2001	Director and Corporate Secretary, Cathton Holdings Ltd.
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; and Secretary, Shaw Foundation

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

- Ms. Mey was President and Chair of the Board of Kodak Canada Inc. from 2005 to 2007. Prior to joining Kodak, Ms. Mey was General Counsel for The T. Eaton Company Ltd.;

Each director named above was appointed a director on January 14, 2009 and 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.

Mr. Bélisle was a director, from 1997 to 2003, of Cable Satisfaction International Inc., a company which was placed under the protection of the Companies' Creditors Arrangement Act ("CCA") in June 2003 and emerged from CCA in February 2007.

Mr. Rogers was a director, from February 2001 to December 2002, of G.T. Group Telecom Inc., a company which was placed under the protection of the CCA and of Section 304 of the U.S. Bankruptcy Code in June 2002. The Ontario Superior Court of Justice sanctioned and approved the company's plan of arrangement and reorganization in December 2002, at which time Mr. Rogers ceased to be a director.

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

Committee	Members
Executive Committee	Heather A. Shaw – Chair John M. Cassaday Carolyn Hursh Terrance Royer Ronald D. Rogers
Audit Committee	Ronald D. Rogers – Chair Fernand Bélisle Wendy A. Leaney Catherine Roozen
Human Resources Committee	Terrance Royer – Chair Dennis Erker Susan Mey
Corporate Governance Committee	Carolyn Hursh – Chair Terrance Royer Julie Shaw

OFFICERS

Name and municipality of residence	Position with Corus
Hal Blackadar Oakville, Ontario	Vice President, Human Resources
John M. Cassaday Toronto, Ontario	President and Chief Executive Officer
Mario Cecchini Montreal, Quebec	Vice President, Radio, Quebec Region
Scott Dyer Toronto, Ontario	Chief Technology Officer Corus Entertainment Inc.
Gary Maavara Toronto, Ontario	Vice President, General Counsel
Kathleen McNair Toronto, Ontario	Vice President, Corporate Development and Strategic Planning
Doug Murphy Toronto, Ontario	Executive Vice President and General Manager, Corus Kids
Chris Pandoff Toronto, Ontario	Vice President, Radio, Ontario Region
Thomas C. Peddie FCA Toronto, Ontario	Senior Vice President and Chief Financial Officer
John R. (Jack) Perraton Calgary, Alberta	Corporate Secretary
Paul W. Robertson Toronto, Ontario	President, Television
Susan Ross Toronto, Ontario	Executive Vice President and General Manager, Specialty and Pat Television
Doug Rutherford Edmonton, Alberta	Vice President, Radio, West Region
Heather A. Shaw Calgary, Alberta	Executive Chair
David Spence CA Markham, Ontario	Vice President, Controller

Each officer of Corus has been engaged for more than five years in his or her current or similar role within Corus, except as follows:

- Prior to July 2006, Mr. Cecchini was Executive Vice President of the Ontario Division of Telemedia Radio.

As of November 6, 2009, the directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over 1,829,132 Class A Voting Shares and 3,151,102 Class B Non-Voting Shares, representing 53.1% and 4.1% 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, Fernand Bélisle, Wendy A. Leaney and Catherine Roozen, each of whom is a financially literate, independent director of the Company. The relevant education and experience of each Audit Committee member is outlined below:

Ronald D. Rogers (Chair)

Mr. Rogers holds a Bachelor of Commerce degree and is a chartered accountant. Mr. Rogers retired as Senior Vice President and Chief Financial Officer of Shaw Communications Inc. in August of 2004. Mr. Rogers serves as a trustee for The Brick Group Income Fund, Transforce Income Fund, Pizza Pizza Royalty Income Fund and Parkland Income Fund.

Fernand Bélisle

Mr. Bélisle holds a Bachelor of Arts degree. Mr. Bélisle is a consultant to Canadian broadcast companies. Mr. Bélisle served as Vice Chair (Broadcasting) of the CRTC. This followed a series of senior positions at the CRTC and the Department of Communications which is now known as the Department of Canadian Heritage. Mr. Bélisle's business career has included positions with Télémedia Communications Ltd. and in audit and tax specialist roles with Coopers & Lybrand. Mr. Bélisle is a past director of Corus Entertainment Inc.

Wendy A. Leaney

Ms. Leaney holds a Bachelor of Arts (Hon) degree. 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. Ms. Leaney serves on the Board of Canadian Western Bank. From 2001 to 2005, Ms. Leaney also served on the Board of Call-Net Enterprises.

Catherine Roozen

Ms. Roozen is Director and Corporate Secretary of Cathton Holdings Ltd. and the Allard Foundation, positions she has held since 1981. Ms. Roozen also serves as a Director for Melcor Developments Ltd. Ms. Roozen serves on the Alberta Cancer Board as well as on a number of charitable boards.

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, 2009 and 2008 totaled \$1,962,040 and \$1,846,500, respectively, as detailed in the following table. All funds are in Canadian dollars:

	Fiscal year ended August 31,	
	2009	2008
Audit fees	1,568,000	1,648,000
Audit-related fees	375,000	103,000
Tax fees	18,000	85,500
All other fees	1,040	10,000
Total	1,962,040	1,846,500

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 or review of the annual financial statements and are not reported under "Audit Fees" above. These services consisted of employee benefit plan audits, non-statutory audits of wholly-owned subsidiaries, assistance with the Company's compliance with Section 404 of the *Sarbanes-Oxley Act of 2002*, 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 (i.e. income tax, capital tax, Goods and Services Tax, and value added tax) 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 CFO makes a presentation to the Audit Committee detailing the non-audit services performed by the auditors on a year-to-date basis, and details of any proposed assignments for consideration by the Audit Committee and pre-approval if appropriate.

As required by the *Sarbanes-Oxley Act of 2002*, all audit, audit-related and non-audit services rendered by Ernst and Young LLP pursuant to engagements entered into since May 6, 2003 were pre-approved by the Audit Committee pursuant to the Company’s policy and pre-approval procedures. In fiscal 2009, no audit-related or non-audit services rendered by the auditors were required to be approved by the Audit Committee pursuant to the DE MINIMIS exception set out in paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

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 expensed the amount on 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

In Canada, CIBC Mellon Trust Company acts as Corus' transfer agent. In the United States, BNY Mellon Shareowner Services acts as Corus' transfer agent.

MATERIAL CONTRACTS

Senior Secured Credit Facility

A syndicate of lenders has provided Corus with a senior secured revolving term credit facility (the "Revolving Facility") and a senior secured non-revolving term credit facility (the "Term Facility") under the Amended and Restated Credit Agreement dated as of January 23, 2006 (the "Credit Agreement").

The Revolving Facility consists of a committed credit of \$300 million that matures January 24, 2011. 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, 2008, \$135 million was drawn against the Revolving Facility.

The Term Facility amounts to \$500 million and matures January 24, 2011. Any amounts repaid before the maturity date may not be re-borrowed. 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, 2008 \$500 million was drawn against the Term Facility.

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, or make optional prepayments on subordinated debt (excepting residual senior subordinated notes outstanding subsequent to the January 2006 completion of the tender offer and consent solicitation).

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.

Interest Rate Swaps

Corus has entered into Canadian interest rate swap agreements with certain Canadian banks (that are also lenders under the Credit Agreement) to fix the interest rate at 4.13% plus a margin on \$400 million of the Term Facility for the full term of the facility. These swap agreements are considered senior debt and are subject to the same covenants and security as available to the lenders under the Credit Agreement.

INTERESTS OF EXPERTS

The Company's auditors are Ernst & Young LLP. The Company's audited consolidated financial statements for the year ended August 31, 2009 have been filed under National Instrument 51-102 – *Continuous Disclosure Obligations*. Ernst & Young LLP has communicated to the Company that, in their opinion, they are independent of the Company within the meaning of the Securities Act and the applicable rules and regulations adopted by the U.S. Securities and Exchange Commission and Public Company Accounting Oversight Board (United States).

ADDITIONAL INFORMATION

The Company's financial information is provided in the audited annual financial statements and notes and management's discussion and analysis for the year ended August 31, 2009. 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 Secretary of the Company at its Corporate office at Suite 501, 630 3rd Avenue S.W., Calgary, Alberta, T2P 4L4.

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, and the charter of the Board of Directors may be found in the Company's most recently filed Management Information Circular. In addition to the aforementioned information, a statement of the significant ways that the Company's Corporate Governance Practices differ from the NYSE Corporate Governance Rules; charters of the committees of the Board of Directors; and the Code of Conduct may be found on the Company's website at www.corusent.com.

Corus Entertainment, as a foreign private issuer listed on the NYSE, is in full compliance with Section 303A of the NYSE corporate governance rules for foreign private issuers in all significant respects, except as summarized on the Company's website 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.

In fulfilling its purpose, 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 unrelated and independent directors, as determined and appointed by the Board on an annual basis. “Unrelated and independent director” means a director who is independent of management of the Company and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act with a view to the best interests of the Company. 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 considered financially literate and at least one Committee member must be considered a financial expert. The definition of “financial literacy” and “financial expertise”, and 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 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 may at its discretion retain the services of independent outside advisors or counsel in consultation with the Executive Chair.

- 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, which majority must include the Committee's designated financial expert. 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 bi-annually to determine whether it is functioning effectively.
- 3.3 The Committee shall review, at least on an annual basis, and approve the Company's policies for hiring existing and former employees and partners of the external auditors.
- 3.4 The Committee shall meet separately, periodically, as it deems appropriate, with management, with internal auditors and with external auditors.

Financial and other reports

- 3.5 The Committee shall review the Company's quarterly and annual financial statements, including Management's Discussion and Analysis, Annual Information Form, Management Information Circular and annual and interim earnings press releases that require approval by the Board 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.
- 3.6 The Committee's review of the annual audited financial statements shall include: (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).

- 3.7 The Committee shall review with the external auditors 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.
- 3.8 The Committee shall review and discuss financial information and earnings guidance provided to analysts and rating agencies prior to their release.
- 3.9 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, other than the information referred to in subsection 3.8.

Risk Management, Internal Controls and Information Systems

- 3.10 The Committee shall discuss with management, the internal auditors and the external auditors the adequacy and effectiveness of 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.
- 3.11 Commencing August 31, 2006, 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 and the external auditor's report on management's assessment.
- 3.12 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.
- 3.13 The Committee shall monitor compliance with statutory and regulatory observations.
- 3.14 The Committee is responsible for establishing appropriate processes and procedures surrounding 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.
- 3.15 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.
- 3.16 The Committee shall review the process for identifying related party transactions.

External Audit Services

- 3.17 The external auditors will report directly to the Committee.
- 3.18 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.
- 3.19 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) 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
 - (d) resolution of any disagreement between management and the external auditor regarding financial reporting.
- 3.20 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.
- 3.21 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 3.20.
- 3.22 The pre-approval of audit and non-audit services pursuant to subsection 3.21 must be presented to the Committee at its first scheduled meeting following such pre-approval.
- 3.23 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.
- 3.24 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).

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. 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.

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ENTERTAINMENT