Attachment A

Stock Purchase Agreement

EXECUTION VERSION

STOCK PURCHASE AGREEMENT

BY AND AMONG

ATLANTIC BROADBAND (MANAGEMENT) HOLDINGS, INC.,

ATLANTIC BROADBAND (MIAMI) HOLDINGS, INC.,

ATLANTIC BROADBAND (DELMAR) HOLDINGS, INC.,

ATLANTIC BROADBAND (PENN) HOLDINGS, INC.,

ATLANTIC BROADBAND (SC) HOLDINGS, INC.,

ATLANTIC BROADBAND GROUP, LLC,

AND

COGECO CABLE INC.

DATED AS OF JULY 18, 2012

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EXHIBITS

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of July 18, 2012, is made by and among Atlantic Broadband (Management) Holdings, Inc., a Delaware corporation ("AB (Management)"), Atlantic Broadband (Miami) Holdings, Inc., a Delaware corporation ("AB (Miami)"), Atlantic Broadband (Delmar) Holdings, Inc., a Delaware corporation ("AB (Delmar)"), Atlantic Broadband (Penn) Holdings, Inc., a Delaware corporation ("AB (Penn)"), Atlantic Broadband (SC) Holdings, Inc., a Delaware corporation ("AB (SC)", together with AB (Management), AB (Miami), AB (Delmar) and AB (Penn), the "Companies" and each, individually, a "Company"), Atlantic Broadband Group, LLC, a Delaware limited liability company ("Seller"), and Cogeco Cable Inc., a Canadian corporation ("Buyer"). The Companies, Seller and Buyer shall be referred to herein from time to time collectively as the "Parties". Capitalized terms used but not otherwise defined herein have the meanings set forth in Section 1.1.

WHEREAS, Seller is the sole stockholder of each Company and owns beneficially and of record all of the issued and outstanding shares of capital stock of each Company (collectively referred to herein as the "Shares");

WHEREAS, the Parties desire that, subject to the terms and conditions hereof, Buyer will purchase from Seller, and Seller will sell to Buyer, all of the Shares.

NOW, THEREFORE, in consideration of the premises and the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1

CERTAIN DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following terms have the respective meanings set forth below.

"Accounting Firm" has the meaning set forth in Section 2.4(b)(ii).

"Acquisition Transaction" has the meaning set forth in Section 6.6.

"Action" means any action, cause of action, litigation, arbitration, assessment, hearing, suit, complaint, condemnation, proceeding (including Intellectual Property Right proceedings, oppositions and other proceedings before a trademark, patent and/or copyright office), citation, summons, audit or inquiry of any nature, civil, criminal, administrative, regulatory, disciplinary or otherwise, in law or in equity or other proceeding, including any forfeiture proceedings.

"Adjustment Time" means 12:01 a.m. New York time on the Closing Date.

"Affiliate" means, with respect to any Person, any other Person who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlled" and "controlling" have meanings correlative thereto.

"Affiliate Contracts" has the meaning set forth in Section 3.21.

"Agreement" has the meaning set forth in the introductory paragraph to this Agreement.

"Alternative Debt Commitment Letter" has the meaning set forth in Section 6.14(b).

"Alternative Debt Financing" has the meaning set forth in Section 6.14(b).

"Ancillary Documents" has the meaning set forth in Section 3.3.

"Basic Subscriber" means a "Basic Subscriber" as determined pursuant to the Subscriber Accounting Policy.

"Business" means the business and operations of the Group Companies as conducted as of the date hereof.

"Business Day" means a day, other than a Saturday or Sunday, on which commercial banks in Montreal, Québec, New York City and Boston, Massachusetts are open for the general transaction of business.

"Buyer" has the meaning set forth in the introductory paragraph to this Agreement.

"Buyer Credit Agreement" means that certain Credit Agreement, dated July 12, 2010 among Buyer, Canadian Imperial Bank of Commerce, as administrative agent, and the other signatories thereto.

"Buyer Disclosure Schedule" means the disclosure schedule delivered by Buyer to Seller and the Companies at the time of execution hereof.

"Buyer Fundamental Representations" means the representations and warranties contained in Sections 5.1, 5.2 and 5.4.

"Cable Systems" has the meaning as defined in the Communications Act.

"Cash and Cash Equivalents" means the aggregate amount of cash, cash equivalents and marketable securities of the Group Companies as of the Adjustment Time, determined in accordance with Section 2.4(e).

"Chancery Court" has the meaning set forth in Section 10.14.

"Claim Notice" has the meaning set forth in Section 9.3(a).

"Closing" has the meaning set forth in Section 2.2.

"Closing Date" has the meaning set forth in Section 2.2.

"Closing Indebtedness" means the aggregate amount of Indebtedness of the Group Companies as of the Adjustment Time, determined in accordance with Section 2.4(e).

"Closing Statement" has the meaning set forth in Section 2.4(b)(i).

"Closing Working Capital" means the Net Working Capital of the Group Companies as of the Adjustment Time, determined in accordance with Section 2.4(e).

"COBRA" means Part 6 of Subtitle B of Title I of ERISA, Section 4980B of the Code and any similar state law.

"Code" means the Internal Revenue Code of 1986, as amended.

"Communications Act" has the meaning set forth in Section 3.6(a).

"Company" and "Companies" has the meaning set forth in the introductory paragraph to this Agreement.

"Confidentiality Agreement" means the confidentiality agreement, dated as of May 2, 2012, by and between Atlantic Broadband Finance, LLC and Cogeco Cable Inc.

"Consent" means any consent, approval, authorization, waiver, grant, agreement or exemption of any Person that is required in connection with (i) the execution and delivery by any Group Company, Seller or Buyer, as applicable, of this Agreement or (ii) the consummation by any Group Company, Seller or Buyer, as applicable, of the transactions contemplated herein.

"Contract" means any contract, Lease, license, indenture, loan, note, agreement, commitment, arrangement, undertaking or understanding (whether written or oral).

"Copyright Act" has the meaning set forth in Section 3.8(g).

"Credit Facilities" means, collectively, (i) that certain Credit Agreement dated as of April 4, 2012 by and among Atlantic Broadband Finance, LLC, the other credit parties signatory thereto, the lenders thereto from time to time, Credit Suisse, as administrative agent and collateral agent for the lenders party thereto and (ii) that certain Second Lien Credit Agreement dated as of April 4, 2012, by and among Atlantic Broadband Finance, LLC, the other credit parties signatory thereto, the lenders thereto from time to time and Credit Suisse, as administrative agent and collateral agent for the lenders party thereto, as the same may be amended, modified or waived from time to time.

"Current Assets" means, without duplication, the consolidated current assets of the Group Companies, which current assets shall be limited to the line items set forth on Exhibit A under the heading "Current Assets", and where such line items are calculated in accordance with GAAP and Section 2.4(e).

"Current Liabilities" means, without duplication, the consolidated current liabilities of the Group Companies, which current liabilities shall be limited to the line items set forth on Exhibit

A under the heading "Current Liabilities", and where such line items are calculated in accordance with GAAP and Section 2.4(e).

"D&O Insurance" has meaning set forth in Section 6.5(b).

"Damages" has the meaning set forth in Section 9.1(a).

"Debt Financing" has the meaning set forth in Section 5.5.

"Debt Financing Commitment" has the meaning set forth in Section 5.5.

"Deductible" means $25,000,000.

"De Minimis Amount" means $250,000.

"Disclosed Conditions" has the meaning set forth in Section 5.5.

"Disclosure Schedules" means the Seller Disclosure Schedule and Buyer Disclosure Schedule.

"Digital Subscriber" means a "Digital Subscriber" as determined pursuant to the Subscriber Accounting Policy.

"EBU" or "Equivalent Basic Units" is a method for calculating the adjusted number of total basic subscribers employed by the Group Companies as determined pursuant to the EBU Accounting Policy.

"EBU Accounting Policy" means the policy of the Group Companies with respect to calculating EBU, as set forth in Section 3.22(a) of the Seller Disclosure Schedule.

"Employee Benefit Plan" means each "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) and each other employment, individual consulting, bonus, deferred compensation, incentive compensation, stock purchase, stock option, stock appreciation or other equity-based, severance or termination pay, retention or change of control plan, program or arrangement that any Group Company maintains, sponsors or contributes to for the benefit of any employee or former employee of the Group Company or with respect to which any Group Company has any material liability (contingent or otherwise).

"Enterprise Value" means $1,360,000,000 (one billion three hundred and sixty million dollars).

"Environmental Claim" means any Action, notice or other communication by any Person alleging any violation of, or any actual or potential liability under, any Environmental Laws.

"Environmental Laws" means all Laws and Orders concerning pollution or protection of the environment or, to the extent relating to exposure to Hazardous Materials, human health or safety, as such of the foregoing are promulgated and in effect on or prior to the Closing Date.

"Equity Interests" shall mean (i) any capital stock of a corporation, any partnership interest, any limited liability company interest or any other analogous equity interest or security of any Person; (ii) any security or right convertible into, exchangeable for, or evidencing the right to subscribe or exercise for, any such stock, equity interest or security referred to in clause (i); (iii) any stock appreciation right, contingent value right or similar security or right that is derivative of any such stock, equity interest or security referred to in clause (i) or (ii); and (iv) any Contract to grant, issue, award, convey or sell any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Escrow Account" has the meaning set forth in Section 2.5.

"Escrow Agent" has the meaning set forth in Section 2.5.

"Escrow Agreement" has the meaning set forth in Section 2.5.

"Escrow Amount" means $75,000,000.

"Estimated Closing Statement" has the meaning set forth in Section 2.4(a).

"Estimated Purchase Price" has the meaning set forth in Section 2.4(a).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, or any successor statute, rules and regulations thereto.

"FCC" has the meaning set forth in Section 3.6(a).

"FCC Approvals" has the meaning set forth in Section 3.6(a).

"FCC Fees and Contributions" means any FCC regulatory fees or contributions to programs administered by or at the direction of the FCC, the Universal Service Administrative Company, or other FCC designee, including contributions to the Universal Service Fund, FCC regulatory fees, the TRS Fund, North American Numbering Plan Administration, and Local Number Portability.

"FCC Rules" has the meaning set forth in Section 3.6(a).

"Federal Communications Laws" has the meaning set forth in Section 3.8.

"Final Purchase Price" has the meaning set forth in Section 2.4(b)(ii).

"Financial Statements" has the meaning set forth in Section 3.5(a).

"Fixtures and Equipment" means all furniture, furnishings, vehicles, equipment, computers, tools, electronic devices, towers, trunk and distribution cable, decoders and spare decoders for scrambled satellite signals, amplifiers, power supplies, conduits, vaults and pedestals, grounding and pole hardware, installed subscriber devices (including, drop lines, converters, encoders, transformers behind television sets and fittings), headends and hubs (origination, transmission and distribution systems) hardware and closed circuit devices and other tangible personal property (other than inventory) held by the Group Companies, wherever located.

"Franchise" has the meaning set forth in Section 3.6(a).

"GAAP" means United States generally accepted accounting principles.

"Governing Documents" means the legal document(s) by which any Person (other than an individual) establishes its legal existence or which govern its internal affairs. For example, the "Governing Documents" of a corporation are its certificate of incorporation and by laws, the "Governing Documents" of a limited partnership are its limited partnership agreement and certificate of limited partnership and the "Governing Documents" of a limited liability company are its operating agreement and certificate of formation.

"Governmental Entity" means any United States (i) federal, national, regional, state, provincial, local, municipal or other government, (ii) governmental or quasi governmental entity of any nature (including any governmental agency, branch, department, official or entity and any court or other tribunal) or (iii) body exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature, including any arbitral tribunal.

"Grande" has the meaning set forth in the definition of "Transition Services Agreement".

"Group Company" and "Group Companies" means, collectively, the Companies and each of their Subsidiaries.

"Hazardous Materials" means all wastes, pollutants, contaminants and hazardous, dangerous or toxic materials or substances, including petroleum and petroleum products, asbestos and asbestos-containing materials, mold, polychlorinated biphenyls, urea-formaldehyde insulation, radon and any other material, substance or radiation for which liability or standards of conduct may be imposed under any Environmental Laws.

"HSR Act" means the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Indebtedness" means, as of any time with respect to any Person, without duplication, the outstanding principal amount of, accrued and unpaid interest on, fees, expenses and all other payment obligations (including any prepayment penalties or premiums payable as a result of the consummation of the transactions contemplated by this Agreement) arising under, any obligations of any Group Company, whether or not contingent, consisting of (i) indebtedness for borrowed money or for the deferred purchase price of property or services, including earn-outs and seller notes (but excluding any trade payables or accrued expenses arising in the ordinary course of business and included in the final calculation of Closing Working Capital), (ii) indebtedness evidenced by any note, bond, debenture or other debt security, guarantees, interest rate, currency or other hedging arrangements or capital leases, (iii) indebtedness under purchase money mortgages, conditional sale agreements or other similar instruments relating to purchased property or assets, including any sale and leaseback transaction, any synthetic lease or tax ownership operating lease transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheet and (iv) indebtedness evidenced by letters of credit, assurances against loss, or bankers' acceptances (in each case only to the extent drawn), in each case, as of such date or required to be paid to discharge fully all such amounts as of such date. Notwithstanding the foregoing, "Indebtedness" shall not include any obligations under operating leases.

"Indemnified Buyer Persons" has the meaning set forth in Section 9.1(a).

"Indemnified Person" has the meaning set forth in Section 9.3(a).

"Indemnified Seller Persons" has the meaning set forth in Section 9.2(a).

"Indemnifying Party" has the meaning set forth in Section 9.3(a).

"Intellectual Property Rights" means all intellectual property, including patents, patent applications, trademarks, service marks and trade names, all goodwill associated therewith and all registrations and applications therefor, copyrights, copyright registrations and applications, Internet domain names, software, trade secrets and know how, in each case, to the extent protectable by applicable Law.

"IP Rights" has the meaning set forth in Section 3.15.

"Latest Balance Sheet" has the meaning set forth in Section 3.5(a)(ii).

"Law" means any domestic or foreign, federal, state or local law (including common law), statute, ordinance, rule, code, regulation, Order or Permit of any Governmental Entity, and the term "applicable" with respect to such Laws (including Environmental Laws) and in a context that refers to one or more parties, means such Laws as are applicable to such party or its business, undertaking, property or securities and emanate from a Person having jurisdiction over the party or parties or its or their business, undertaking, property or securities.

"Lease" means any lease, sublease, license or other agreement for the use or occupancy of real property, including any master lease, regardless of whether the terms thereof have commenced.

"Leased Real Property" has the meaning set forth in Section 3.20(a).

"Lenders" has the meaning set forth in Section 5.5.

"LFA" has the meaning set forth in Section 3.6(a).

"LFA Approvals" has the meaning set forth in Section 3.6(a).

"Lien" means any mortgage, pledge, security interest, encumbrance, lien (statutory or otherwise), charge, right of way, easement, encroachment, hypothecation, servitude, right of first offer, right of first refusal, title defect, claim, deed of trust, purchase right or an agreement to create any of the foregoing, including any restriction or covenant with respect to use, voting, transfer, receipt of income or exercise of other attributes of ownership. For the avoidance of doubt, the term "Lien" shall not be deemed to include any license of Intellectual Property Rights.

"Marketing Period" means a period of 20 consecutive Business Days after the date upon which Buyer has delivered to Seller the unaudited consolidated balance sheet of Atlantic Broadband Finance, LLC, and the related unaudited consolidated statements of income and cash flows as of and for the quarterly period ended June 30, 2012; provided that (i) the Marketing Period shall end no earlier than September 30, 2012, (ii) if the Marketing Period has not ended on or prior to August 17, 2012, the Marketing Period shall commence no earlier than September 5, 2012, (iii) for purposes of this definition, the term "Business Day" shall exclude November 21 through November 23, 2012 and December 21 through December 28, 2012 and (iv) the Marketing Period shall end on any earlier date on which the Debt Financing is funded.

"Material Adverse Effect" means a material adverse effect upon the financial condition, business, or results of operations of the Group Companies, taken as a whole; provided, however, that any adverse change, event or effect arising from or related to (i) conditions affecting the United States economy generally, (ii) any national or international political or social conditions, including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States, or any of its territories, possessions, or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States, (iii) financial, banking or securities markets (including any disruption thereof and any decline in the price of any security or any market index), (iv) changes in GAAP after the date hereof, (v) changes after the date hereof in any Laws or other binding directives issued by any Governmental Entity, (vi) any change that is generally applicable to the industries or markets in which the Group Companies operate, (vii) the public announcement of the transactions contemplated by this Agreement or (viii) any failure by the Company to meet any internal or published projections, forecasts or revenue or earnings predictions for any period ending on or after the date of this Agreement (although any facts and circumstances that may have given rise or contributed to any such failure that are not otherwise excluded from the definition of Material Adverse Effect may be taken into account in determining whether there has been a Material Adverse Effect), shall not be taken into account in determining whether a "Material Adverse Effect" has occurred; provided that, with respect to a matter described in any of the foregoing clauses (i), (ii), (iii), (iv), (v) and (vi), such matter shall only be excluded so long as such matter does not have a materially disproportionate effect on the Group Companies, taken as a whole, relative to other comparable entities operating in the United States in the industry in which the Group Companies operate.

"Material Contracts" has the meaning set forth in Section 3.9(a).

"Material Real Property Lease" has the meaning set forth in Section 3.20(a).

"Net Working Capital" means, as of any time, the aggregate amount of Current Assets of the Group Companies as of such time minus the aggregate amount of Current Liabilities of the Group Companies as of such time, in each case determined on a consolidated basis in accordance with Section 2.4(e). Notwithstanding anything to the contrary contained herein, in no event shall "Net Working Capital" include any amounts with respect to Cash and Cash Equivalents, Seller Expenses or Closing Indebtedness.

"New Plans" has the meaning set forth in Section 6.9.

"Objection" has the meaning set forth in Section 2.4(b)(ii).

"Objection Notice" has the meaning set forth in Section 2.4(b)(ii).

"Order" means any order, judgment, decision, decree, directive, settlement, injunction, writ, stipulation, determination, ruling or award issued by any Governmental Entity.

"Owned Real Property" has the meaning set forth in Section 3.20(a).

"Parties" has the meaning set forth in the introductory paragraph to this Agreement.

"Permits" has the meaning set forth in Section 3.7.

"Permitted Liens" means (i) mechanic's, materialmen's, carriers', repairers' and other Liens arising or incurred in the ordinary course of business for amounts that are not yet delinquent or are being contested in good faith and for which adequate reserves with respect thereto have been made in the Financial Statements in accordance with GAAP, (ii) Liens for Taxes, assessments or other governmental charges not yet due and payable as of the Closing Date or which are being contested in good faith, (iii) encumbrances and restrictions on real property (including easements, covenants, conditions, rights of way and similar restrictions) that do not materially interfere with any Group Company's present use or occupancy of such real property, (iv) Liens securing the obligations of the Group Companies under the Credit Facilities, (v) Liens which would not, or would not reasonably be expected to, materially interfere with the operation or use of the asset or property or exercise of the right with respect thereto, (vi) Liens granted to any lender at the Closing in connection with any financing by Buyer of the transactions contemplated hereby, (vii) zoning, building codes and other land use laws regulating the use or occupancy of real property or the activities conducted thereon which are imposed by any Governmental Entity having jurisdiction over such real property and which are not violated by the current use or occupancy of such real property or the operation of the businesses of any Group Company, (viii) matters that would be disclosed by an accurate survey of the real property, provided that such matters do not materially interfere with any Group Company's present use or occupancy of such real property, (ix) Liens described in Section 1.1 of the Seller Disclosure Schedule and (x) any right, interest, Lien or title of a licensor, sublicensor, licensee, sublicensee, lessor or sublessor under any license or Lease or in the property being leased or licensed.

"Person" means an individual, partnership, corporation, limited liability company, joint stock company, unincorporated organization or association, trust, joint venture, association or other similar entity, whether or not a legal entity.

"Pre-Closing Tax Period" means any taxable period ending on or before the Closing Date and the portion of any Straddle Period ending on the Closing Date.

"Programming Agreement" means any Contract pursuant to which the Group Companies have the right to carry audio and/or video programming (or pay for or otherwise provide compensation with regard to cable television programming) on any System and all related arrangements, including with respect to programming and launch initiatives and support; provided that the term "Programming Agreement" shall not include any local System leased access agreement required by any applicable Law.

"Purchase Price" means (i) Enterprise Value, plus (ii) the amount of Cash and Cash Equivalents, plus (iii) the amount (if any) by which Closing Working Capital exceeds Target Working Capital, minus (iv) the amount (if any) by which Target Working Capital exceeds Closing Working Capital, minus (v) the amount of Closing Indebtedness, and minus (vi) the amount of Seller Expenses. An example calculation of the Purchase Price is attached hereto as Exhibit A.

"Release Date" has the meaning set forth in Section 10.1.

"Retransmission Consent Agreement" means a Programming Agreement whereby any Group Company is expressly authorized to retransmit the signal of a commercial broadcasting station (other than a commercial broadcasting station that is a superstation (and that was a superstation on May 1, 1991) that is distributed by satellite carrier and whose signals are distributed outside the local market of the originating station).

"SEC" shall mean the United States Securities and Exchange Commission or any successor thereto.

"SEC Reports" has the meaning set forth in Section 3.4.

"Second Request" has the meaning set forth in Section 6.3(c).

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, or any successor statute, rules or regulations thereto.

"Seller" has the meaning set forth in the introductory paragraph to this Agreement.

"Seller Disclosure Schedule" means the disclosure schedule delivered by Seller and the Companies to Buyer at the time of execution hereof.

"Seller Expenses" means, without duplication, the collective amount due and payable by the Group Companies as of the Closing Date for all out of pocket costs and expenses incurred by any of the Group Companies or by or on behalf of Seller (to the extent such amounts are a liability of any Group Company) in connection with the consummation of the transactions contemplated by this Agreement, including the fees and expenses of Kirkland & Ellis LLP, Wiltshire & Grannis LLP and Credit Suisse Securities (USA) LLC relating thereto, and any transaction bonuses, change of control bonuses, success, retention or similar bonuses that become due as a result of the transactions contemplated by this Agreement. For the avoidance of doubt, such amounts shall not include any cash used by the Group Companies to ensure that the transactions contemplated by this Agreement do not trigger a change in control under the Credit Facilities.

"Seller Fundamental Representations" means the representations and warranties contained in Sections 3.1, 3.2, 3.3, 4.1 and 4.3.

“Shares” has the meaning set forth in the recitals to this Agreement.

“Side Letter” has the meaning set forth in Section 10.2.

“State Communications Laws” has the meaning set forth in Section 3.8(a).

“Straddle Period” means any taxable period that includes (but does not end on) the Closing Date.

“Subscriber Accounting Policy” means the policy of the Group Companies with respect to calculating Basic Subscribers, Digital Subscribers, High-speed Data Residential Subscribers, and Telephone Residential Subscribers, as set forth in Section 3.22 of the Seller Disclosure Schedule.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association, or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more Subsidiaries of such Person or a combination thereof and for this purpose, a Person or Persons own a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity’s gains or losses or shall be a, or control any, managing director or general partner of such business entity (other than a corporation). The term “Subsidiary” shall include all Subsidiaries of such Subsidiary. For purposes of this Agreement, the Subsidiaries of the Companies shall include Atlantic Broadband Holdings II, LLC and its Subsidiaries.

“System Pole Contracts” has the meaning set forth in Section 3.8(i).

“Systems” means the Cable Systems owned and operated by Seller.

“Target Working Capital” means $20,000,000, expressed as a negative number.

“Tax” means any federal, state, local or foreign income, gross receipts, franchise, estimated, alternative minimum, add on minimum, sales, use, telecommunications, transfer, real property gains, registration, value added, excise, natural resources, severance, stamp, occupation, windfall profits, environmental (under Section 59A of the Code), customs, duties, real property, personal property, capital stock, social security (or similar), unemployment, disability, payroll, license, employee or other withholding, or other tax, of any kind whatsoever and any interest, penalties or additions to tax in respect of the foregoing (whether disputed or not). Notwithstanding the foregoing and for the avoidance of doubt, the definition of “Tax” shall not include any FCC Fees and Contributions.

“Tax Return” has the meaning set forth in Section 3.18(a).

"Telephone Residential Subscriber" means a "Telephone Residential Subscriber" as determined pursuant to the Subscriber Accounting Policy.

"Termination Date" has the meaning set forth in Section 8.1(d).

"Third Party Claim" has the meaning set forth in Section 9.3(b).

"Transfer Taxes" means all mean transfer, documentary, sales, use, registration and other similar Taxes.

"Transition Services Agreement" means that certain Transition Services Agreement, of even date herewith, by and among Atlantic Broadband Finance, LLC, a Delaware limited liability company, and Grande Communications Networks, LLC, a Delaware limited liability company ("Grande"), as set forth on Exhibit B.

"WARN" has the meaning set forth in Section 3.16.

ARTICLE 2

PURCHASE AND SALE

Section 2.1 Purchase and Sale of the Shares. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Buyer will purchase and acquire from Seller, and Seller will sell, assign, transfer and convey to Buyer, the Shares, free and clear of any Liens (other than restrictions on transfer arising under securities Laws), in exchange for the Purchase Price. The Purchase Price will be estimated prior to the Closing Date and subject to post-Closing adjustments as provided in Section 2.4 and the Escrow Amount as provided in Section 2.5.

Section 2.2 Closing of the Transactions Contemplated by this Agreement. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at 10:00 a.m., New York time, on the third (3rd) Business Day after satisfaction (or waiver) of the conditions set forth in ARTICLE 7 (other than those conditions to be satisfied by the delivery of documents or taking of any other action at the Closing by any Party) at the offices of Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022, unless another time, date or place is agreed to in writing by Buyer and Seller; provided, however, that notwithstanding the satisfaction or waiver of the conditions set forth in Article 7, Buyer shall not be required to effect the Closing until the earlier of (a) a date during the Marketing Period specified by Buyer on no less than three Business Days' notice to Seller and (b) the final day of the Marketing Period. The date of the Closing is referred to herein as the "Closing Date".

Section 2.3 Deliveries at the Closing.

(a) Deliveries by Seller. At the Closing, Seller shall deliver to Buyer certificates representing the Shares, duly endorsed in blank or accompanied by stock powers or any other proper instrument of assignment endorsed in blank in proper form for transfer.

(b) Deliveries by Buyer. At the Closing, Buyer shall (i) pay to Seller by wire transfer of immediately available funds, to the accounts specified in writing by Seller to Buyer no later than two (2) Business Days prior to the Closing Date, an amount equal to (x) the Estimated Purchase Price less (y) the Escrow Amount, and (ii) deposit (or cause to be deposited) with the Escrow Agent by wire transfer of immediately available funds, to the account specified in writing by the Escrow Agent to Buyer no later than two (2) Business Days prior to the Closing Date, the Escrow Amount. Buyer shall cause the Companies to pay all Seller Expenses in accordance with payment instructions delivered by Seller to Buyer (to the extent such expenses have not already been paid). For the avoidance of doubt, the sum of all of the payments described in Section 2.3(b) shall equal the Estimated Purchase Price.

(c) Other Deliveries. At the Closing, the closing certificates and other documents required to be delivered pursuant to ARTICLE 7 with respect to the Closing will be exchanged.

Section 2.4 Purchase Price.

(a) Estimated Purchase Price. No later than three (3) Business Days prior to the Closing Date, Seller shall deliver to Buyer a statement certified by the Companies (the "Estimated Closing Statement") setting forth its good faith estimates of Closing Net Working Capital, Cash and Cash Equivalents, Closing Indebtedness and Seller Expenses, together with a calculation of the Purchase Price (the "Estimated Purchase Price") based on such estimates. The Estimated Closing Statement and the estimates and calculations contained therein shall be prepared in accordance with this Agreement, including Section 2.4(e).

(b) Determination of Final Purchase Price.

(i) As soon as reasonably practicable, but no later than ninety (90) days after the Closing Date, Buyer shall prepare and deliver to Seller a statement (the "Closing Statement") setting forth Buyer's good faith determination of the actual amounts of Closing Net Working Capital, Cash and Cash Equivalents, Closing Indebtedness and Seller Expenses, together with a calculation of the Purchase Price based thereon. The Closing Statement and the determinations and calculations contained therein shall be prepared in accordance with this Agreement, including Section 2.4(e).

(ii) Within thirty (30) days following receipt by Seller of the Closing Statement, Seller shall deliver written notice (an "Objection Notice") to Buyer specifying any dispute in reasonable detail it has with respect to the preparation or content of the Closing Statement. Any amount, determination or calculation contained in the Closing Statement and not specifically disputed in a timely delivered Objection Notice shall be final, conclusive and binding on the Parties. If Seller does not timely deliver an Objection Notice with respect to the Closing Statement within such thirty (30) day period, the Closing Statement will be final, conclusive and binding on the Parties. If an Objection Notice is timely delivered within such thirty (30) day period, Buyer and Seller shall negotiate in good faith to resolve each dispute raised therein (each, an "Objection"). If Buyer and Seller, notwithstanding such good faith efforts, fail to resolve any Objections within fifteen (15) days after Seller delivers an Objection Notice, then Buyer and Seller shall jointly engage KPMG LLP (the "Accounting Firm") to resolve such disputes in accordance with this Agreement (including Section 2.4(e)) as soon as practicable thereafter (but in any event within thirty (30) days after engagement of the Accounting Firm). Buyer and Seller shall cooperate in good faith with the Accounting Firm during the term of its engagement and shall cause the Accounting Firm to deliver a written report containing its calculation of the disputed Objections (which calculation shall be within the range of dispute between the Closing Statement and the Objection Notice, and the Accounting Firm may not assign a value to any disputed item greater than the greatest value for such item claimed by either Buyer or Seller or less than the smallest value for such item claimed by either Buyer or Seller) within such thirty (30) day period. For the avoidance of doubt, the Accounting Firm shall not review any line items or make any determination with respect to any matter other than the Objections. All Objections that are resolved between the Parties or are resolved by the Accounting Firm (which shall constitute an arbitral award) will be final, conclusive and binding on the Parties absent manifest error, upon which a judgment may be rendered by a court having proper jurisdiction thereover, and the calculation of the Purchase Price that has been deemed accepted by and binding on Seller and Buyer, as determined either through agreement of Seller and Buyer (deemed or otherwise) or through the determination of the Accounting Firm pursuant to this Section 2.4(b), is referred to herein as the "Final Purchase Price". The fees, costs and expenses of the Accounting Firm shall be allocated by the Accounting Firm and apportioned between Seller, on the one hand, and Buyer, on the other hand, in the same proportion that the aggregate amount of such resolved disputed items so submitted to the Accounting Firm that is unsuccessfully disputed by each such Party (as finally determined by the Accounting Firm) bears to the total amount of such resolved disputed items so submitted. For example, if Seller claims that the appropriate adjustments are $1,000 greater than the amount determined by Buyer and if the Accounting Firm ultimately resolves the Objection(s) by awarding to Seller $300 of the $1,000 contested, then the fees, costs and expenses of the Accounting Firm will be allocated 30% (i.e., 300 ÷ 1,000) to Buyer and 70% (i.e., 700 ÷ 1,000) to Seller.

(c) Access. Buyer shall, and shall cause each Group Company to, make its financial records, accounting personnel and advisors available, subject to applicable Law and any confidentiality obligations with respect thereto, to Seller, its accountants and other representatives and the Accounting Firm at reasonable times during the review by Seller and the Accounting Firm of, and the resolution of any Objections with respect to, the Closing Statement.

(d) Adjustments.

(i) If the Final Purchase Price exceeds the Estimated Purchase Price, Buyer shall, or shall cause a Group Company to, pay to Seller an amount equal to such excess by wire transfer of immediately available funds within three (3) Business Days after the date on which the Final Purchase Price is finally determined to an account designated by Seller in writing.

(ii) If the Final Purchase Price is less than the Estimated Purchase Price, then Seller and Buyer shall promptly cause the Escrow Agent to release from the Escrow Account and deliver to Buyer an amount reflecting the difference between the Estimated Purchase Price and the Final Purchase Price by wire transfer of immediately available funds within three (3) Business Days after the date on which the Final Purchase Price is finally determined to an account or accounts designated by Buyer in writing.

(iii) All payments made pursuant to this Section 2.4 shall be treated by all Parties for Tax purposes as adjustments to the Purchase Price.

(e) Accounting Procedures. The Estimated Closing Statement, the Closing Statement and the determinations and calculations contained therein shall be prepared and calculated on a consolidated basis for the Group Companies in accordance with GAAP and using the same accounting principles, practices, procedures, policies and methods (including classifications, judgments, inclusions, exclusions and valuation and estimation methodologies) used and applied consistently with past practice by the Group Companies and in the preparation of the Latest Balance Sheet, except that such statements, calculations and determinations: (i) shall not include any purchase accounting or other adjustment arising out of the consummation of the transactions contemplated by this Agreement, (ii) shall be based on facts and circumstances as they exist as of the Closing and shall exclude the effect of any act, decision or event occurring after the Closing, (iii) shall follow the defined terms contained in this Agreement whether or not such terms are consistent with GAAP and (iv) shall calculate any reserves, accruals or other non-cash expense items on a pro rata (as opposed to monthly accrual) basis to account for a Closing that occurs on any date other than the last day of a calendar month.

(f) Allocation of Purchase Price. The Purchase Price shall be allocated between the common shares of the Companies in the manner set forth on Exhibit C. The Buyer and the Seller shall report an allocation of the Purchase Price among the Shares in a manner entirely consistent with Exhibit C and shall not take any position inconsistent therewith in the preparation of financial statements for Tax purposes, the filing of any Tax Returns or in the course of any audit by any Governmental Entity, Tax review or Tax proceeding relating to any Tax Returns unless otherwise required by applicable Law.

Section 2.5 Escrow Account. After the date hereof and prior to the Closing, Seller and Buyer shall cooperate in good faith to establish an escrow account (the "Escrow Account") with Citibank N.A. (the "Escrow Agent"), pursuant to an Escrow Agreement (the "Escrow Agreement"), in a form reasonably acceptable to Buyer and Seller, for the Escrow Amount. The Escrow Amount shall be held in the Escrow Account by the Escrow Agent in accordance with the terms and conditions of the Escrow Agreement, to serve as the sole source of payment for any amounts owed by Seller to Buyer pursuant to Section 2.4(d)(ii) or ARTICLE 9. Upon the terms and conditions of the Escrow Agreement, any funds in the Escrow Account not so used shall be distributed to Seller in accordance with this Agreement. In the event of a conflict between the Escrow Agreement and this Agreement, the terms of this Agreement shall govern.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF THE COMPANIES

Except as (i) disclosed in any SEC Reports (defined below) (to the extent it is reasonably apparent that any such disclosure set forth in the SEC Reports would qualify the representations and warranties contained herein, and excluding any risk factor disclosures or other cautionary, predictive or forward-looking disclosures contained therein), other than with respect to Section 3.2, Section 3.5 and Section 3.10(a)(i) and (ii) set forth in the Seller Disclosure Schedule, each Company hereby represents and warrants to Buyer as follows:

Section 3.1 Organization and Qualification; Subsidiaries.

(a) Each Group Company is a corporation, limited liability company, limited partnership or other applicable business entity duly organized, validly existing and in good standing (if applicable) under the laws of its jurisdiction of formation. Each Group Company has the requisite corporate, limited liability company, limited partnership or other applicable business entity power and authority to own, lease and operate its material properties and to carry on its businesses as presently conducted.

(b) Each Group Company is duly qualified or licensed to transact business and is in good standing (if applicable) in each jurisdiction in which the property and assets owned, leased or operated by it, or the nature of the business conducted by it, makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) True and complete copies of the Governing Documents of each Group Company have previously been provided to Buyer, and no Group Company is in violation or breach of, or default under, any of such Governing Documents, except for violations, breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 3.2 Capitalization of the Group Companies.

(a) The Shares comprise all of the authorized capital stock of the Companies that are issued and outstanding, and the Shares have been duly authorized and validly issued and are fully paid and non-assessable and were issued in compliance with all applicable Laws concerning the issuance of securities and the Companies' Governing Documents. There are no other Equity Interests of the Companies authorized, issued or outstanding. All Shares are wholly owned, beneficially and of record, by Seller, free and clear of any Liens (other than restrictions on Transfer arising under securities Laws). There are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, commitments or other similar Equity Interests of any character under which any Company is or may become obligated to issue or sell, or giving any third party a right to subscribe for or acquire or control, or in any way dispose of, any Equity Interests of any Company, and no Contracts evidencing such rights are agreed, authorized, issued or outstanding. The outstanding Equity Interests of the Companies are not subject to any voting trust agreement or other Contract restricting or otherwise relating to the voting, dividend rights or disposition of such Equity Interests. There are no phantom stock or similar rights providing economic benefits based, directly or indirectly, on the value or price of the Equity Interests of any Company. There are no obligations, contingent or otherwise, of any Company to repurchase, redeem or otherwise acquire any Equity Interests of any Company.

(b) Except as set forth on Section 3.2(b) of the Seller Disclosure Schedule, no Group Company directly or indirectly owns any Equity Interest in any Person. Section 3.2(b) of the Seller Disclosure Schedule sets forth the name, owner, jurisdiction of formation or organization (as applicable) and percentages of all outstanding Equity Interests owned, directly or indirectly, by each Group Company. Except as set forth on Section 3.2(b) of the Seller Disclosure Schedule, all outstanding Equity Interests of each Subsidiary of the Companies (i) have been duly authorized and validly issued and are fully paid and non-assessable (except to the extent such concepts are not applicable under the applicable Law of such Subsidiary's jurisdiction of formation or other applicable Law); (ii) are free and clear of any preemptive rights or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, commitments or other similar Equity Interests of any character under which such Subsidiary is or may become obligated to issue or sell, or, giving any third party a right to subscribe for or acquire or control, or in any way dispose of, any Equity Interests of such Subsidiary, and no Contracts evidencing such rights are agreed, authorized, issued or outstanding (except to the extent provided by applicable Law and other than such rights as may be held by any Group Company other than the Companies); (iii) are not subject to any voting trust agreement or other Contract restricting or otherwise relating to the voting, dividend rights or disposition of such Equity Interests (other than restrictions under applicable Laws); and (iv) are wholly owned, beneficially and of record, by another Group Company other than the Companies, free and clear of all Liens (other than Permitted Liens). Except as set forth on Section 3.2(b) of the Seller Disclosure Schedule, there are no (i) phantom stock or similar rights providing economic benefits based, directly or indirectly, on the value or price of the Equity Interests of any Subsidiary of a Company or (ii) obligations, contingent or otherwise, of any Subsidiary of a Company to repurchase, redeem or otherwise acquire any Equity Interests of any Subsidiary of a Company.

Section 3.3 Authority. The Companies have the requisite corporate power and authority to execute and deliver this Agreement and each other agreement, document, instrument and/or certificate contemplated by this Agreement to be executed in connection with the transactions contemplated hereby (the "Ancillary Documents") and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Companies. This Agreement has been (and the execution and delivery of each of the Ancillary Documents to which each Company is a party will be) duly executed and delivered by the Companies and constitute a valid, legal and binding agreement of the Companies (assuming that this Agreement has been and the Ancillary Documents to which each Company is a party will be duly and validly authorized, executed and delivered by Buyer), enforceable against the Companies in accordance with their terms, except (i) to the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and (ii) that the availability of equitable remedies, including, specific performance, is subject to the discretion of the court before which any proceeding thereof may be brought.

Section 3.4 SEC Reports. Atlantic Broadband Finance, LLC has filed with or furnished to the SEC all reports, schedules, forms, statements, prospectuses, registration statements and other documents required to be filed or furnished to the SEC by it during the period beginning on January 1, 2009 and ending on April 1, 2012 (collectively, together with any exhibits and schedules thereto and other information incorporated therein, the "SEC Reports"), and has paid all fees and assessments due and payable in connection therewith. Each SEC Report complied as of its filing date, or as of its last date of amendment, in all material respects as to form with the applicable requirements of the Securities Act or the Exchange Act, as the case may be, each as in effect on the date such SEC Report was filed. True and correct copies of all SEC Reports filed prior to the date hereof have been made available to Buyer or are publicly available in the Electronic Data Gathering, Analysis and Retrieval (EDGAR) database of the SEC. As of its filing date (or, if amended or superseded by a filing prior to the date of this Agreement, on the date of such amended or superseded filing), each SEC Report did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Section 3.5 Financial Statements.

(a) Attached hereto as Section 3.5 of the Seller Disclosure Schedule are true and complete copies of the following financial statements (such financial statements, including those delivered pursuant to Section 6.2, the "Financial Statements"):

(i) the audited consolidated balance sheets of Atlantic Broadband Finance, LLC as of December 31, 2009 and December 31, 2010, and the related audited consolidated statements of income and cash flows for the fiscal years then ended (including any related notes thereto and the reports of the independent auditors thereon); and

(ii) the audited consolidated balance sheet of Atlantic Broadband Finance, LLC as of December 31, 2011 (the "Latest Balance Sheet"), and the related audited consolidated statements of income and cash flows for the fiscal year then ended (including any related notes thereto and the reports of the independent auditors thereon); and

(iii) the unaudited interim consolidated balance sheet of Atlantic Broadband Finance, LLC as of May 31, 2012, and the related unaudited interim consolidated statements of income and cash flows for the five month period then ended.

(b) Except as set forth on Section 3.5(b) of the Seller Disclosure Schedule, the Financial Statements (i) have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby, except as may be indicated in the notes thereto and subject, in the case of unaudited or interim Financial Statements, to the absence of footnotes and normal year end adjustments and (ii) fairly present, in all material respects, the consolidated financial position of the Group Companies as of the dates thereof and their consolidated results of operations for the periods then ended (subject, in the case of unaudited or interim Financial Statements, to the absence of footnotes and normal year end adjustments).

Section 3.6 Consents and Requisite Governmental Approvals; No Violations.

(a) Except as set forth on Section 3.6(a) of the Seller Disclosure Schedule, no notices to, filings with, or authorizations, consents or approvals of any Person or Governmental Entity are necessary for the execution, delivery or performance by any Group Company of this Agreement or the Ancillary Documents to which such Group Company is a party or the consummation by the Company of the transactions contemplated hereby, except for (i) compliance with and filings under the HSR Act, (ii) notices to, filings with, or authorizations, consents, approvals or other actions (the "FCC Approvals") as are required to be made with or obtained from the Federal Communications Commission (the "FCC") under the Communications

Act of 1934, as amended (the "Communications Act") and all rules, regulations and published policies promulgated by the FCC under the Communications Act (the "FCC Rules") and as set forth on Section 3.6(a) of the Seller Disclosure Schedule, (iii) the notices to, filings with, or authorizations, consents, approvals or other actions (the "LFA Approvals") as are required to be made with or obtained from any state or local franchise authority or other Governmental Entity (each, an "LFA") concerning a franchise or other agreement, license, Permit, resolution, ordinance or other written acknowledgement that authorizes the construction, upgrade, maintenance and operation of any telecommunications, Voice over Internet Protocol, cable or open video system (as defined in the Communications Act, the FCC Rules, or by state law) by a Group Company (including any expired franchise, as set forth on Section 3.7(a) of the Seller Disclosure Schedule, for all of which the applicable Group Company continues to perform its obligations thereunder in all material respects) (a "Franchise") or any of its Subsidiaries and as set forth on Section 3.6(a) of the Seller Disclosure Schedule, (iv) those the failure of which to obtain or make would not reasonably be expected to have a Material Adverse Effect and (v) those that may be required solely by reason of Buyer's (as opposed to any other third party's) participation in the transactions contemplated hereby.

(b) Neither the execution, delivery or performance by a Group Company of this Agreement or the Ancillary Documents to which a Group Company is a party nor the consummation by a Group Company of the transactions contemplated hereby will (i) conflict with or result in any breach of any provision of any Group Company's Governing Documents, (ii) except as set forth on Section 3.6(b) of the Seller Disclosure Schedule, result in a violation or breach of, or cause acceleration, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right, including termination, cancellation, modification, or acceleration) under any of the terms, conditions or provisions of any Material Contract, Material Real Property Lease or, assuming the FCC Approvals and LFA Approvals have been obtained prior to consummation by a Group Company of the transactions contemplated hereby and the FCC Approvals and LFA Approvals have not been stayed, suspended, revoked or invalidated, Permit, (iii) assuming the FCC Approvals and LFA Approvals have been obtained prior to consummation by a Group Company of the transactions contemplated hereby and the FCC Approvals and LFA Approvals have not been stayed, suspended, revoked, or invalidated, violate any applicable Law or Order of any Governmental Entity having jurisdiction over any Group Company or any of their respective properties or assets, (iv) except as expressly contemplated by this Agreement, result in any Group Company being required to acquire or offer to acquire any Equity Interests or any material asset owned by any third party or (v) except as contemplated by this Agreement or with respect to Permitted Liens, result in the creation of any Lien upon any of the equity, assets or properties of any Group Company, which, in the case of any of clauses (ii) or (v) above, would reasonably be expected to have a Material Adverse Effect.

Section 3.7 Permits. The Group Companies have obtained and hold all permits required to conduct their businesses as currently conducted (collectively, the "Permits"), except where the failure to have obtained and hold any of the Permits would not have, individually or in the aggregate, a Material Adverse Effect. Except as would not have, individually or in the aggregate, a Material Adverse Effect or as set forth on Section 3.7 of the Seller Disclosure Schedule:

(a) Each Permit is valid and in full force and effect either pursuant to its terms or by operation of law, and any necessary application for renewal of any such Permit has been timely filed.

(b) Each Group Company is in compliance with the terms of all Permits held by such Group Company, and there has been since January 1, 2009 no breach or violation by any Group Company of any of such Permits.

(c) There is no Action pending or, to the knowledge of the Companies, threatened against or relating to any of the Permits before the FCC, any LFA or any other Governmental Entity.

(d) None of the Group Companies have received any written notice from the FCC, any LFA or any other Governmental Entity or other Person specifying a default or violation with respect to a Permit or applicable Law or Order, except where such default or violation has already been cured.

(e) There is no pending Action to revoke or suspend any Permit, and since January 1, 2009, no Governmental Entity has given written notice to the Group Companies that it intends to commence an Action to revoke or suspend any Permit, or given written notice that it intends not to renew any Permit.

This Section 3.7, together with Section 3.6, Section 3.8 and Section 3.10(c), contains the sole and exclusive representations and warranties of the Companies regarding Permits.

Section 3.8 Communications Matters. Except as set forth on Section 3.8 of the Seller Disclosure Schedule:

(a) The Group Companies (i) are in compliance in all material respects with the Communications Act, the Communications Assistance to Law Enforcement Act, the Copyright Act and the FCC Rules (collectively, the "Federal Communications Laws"), and (ii) except as would not have, individually or in the aggregate, a Material Adverse Effect, are in compliance with any other applicable state or local Laws concerning the provision of intrastate telecommunications services or concerning the operation of any telecommunications, cable, Voice over Internet Protocol or open video system ("State Communications Laws"), and there is not any Order or Action pending or, to the knowledge of the Companies, threatened in writing by the FCC or any LFA for any alleged violations of Federal Communications Laws or State Communications Laws and any other applicable Laws or Orders.

(b) (i) Except as would not to have, individually or in the aggregate, a Material Adverse Effect, the Group Companies have filed all rate regulation forms required to be filed with the FCC and appropriate LFAs and (ii) the Systems are in material compliance with all applicable FCC and LFA rate regulations.

(c) Except for any failure to timely submit which would not have, individually or in the aggregate, a Material Adverse Effect, where the requirements of Section 626 of the Communications Act are applicable or where otherwise required to submit such a notice by applicable Law or agreement, a written request for renewal has been timely submitted under Section 626 of the Communications Act with the proper LFA with respect to any Franchise that will expire within thirty (30) months after the date of this Agreement. There are no applications by the Group Companies relating to any Franchises pending before any Government Entity that are material to the Business. None of the Group Companies or any Government Entity has commenced or requested the commencement of an administrative proceeding concerning the renewal of a Franchise as provided in Section 626(c)(1) of the Communications Act.

(d) Except for those Franchises the failure of which to hold would not have, individually or in the aggregate, a Material Adverse Effect, the Group Companies hold all Franchises to operate the Systems lawfully for the Business and in the manner in which they are presently operated. Except as would not have, individually or in the aggregate, a Material Adverse Effect, the Group Companies are in compliance with the Franchises. None of the Group Companies has received notice from any Person that any Franchise will not be renewed or that the applicable Governmental Entity has challenged or raised any material objection to or, as of the date hereof, otherwise questioned in any material respect, the Group Companies' requests for any such renewal under Section 626 of the Communications Act and the Group Companies have duly and timely complied in all material respects with any and all inquiries and demands by any and all Government Entities made with respect to the Group Companies' requests for any such renewal. The Group Companies have no outstanding construction, build-out, or other material obligations under the Franchises.

(e) The Group Companies have paid all required FCC Fees and Contributions and duly and timely filed all reports required to be filed with the FCC or the Universal Service Administrative Company in connection with any contribution program administered by the FCC, except for any failure to pay or file which would not have, individually or in the aggregate, a Material Adverse Effect.

(f) With respect to any System that is being operated without a Franchise, the Group Companies have operated such System on a continuous basis since acquiring such System. As of the date of this Agreement, except as set forth on Section 3.8(f) of the Seller Disclosure Schedule, no Government Entity in any such System has requested that the Group Companies or their respective predecessors enter into a written Franchise.

(g) The Group Companies (i) have filed with the Copyright Office all required statements of account with respect to the Systems that were required to have been filed in the past three years in accordance with the Copyright Act of 1976 and regulations promulgated pursuant thereto (the "Copyright Act"), (ii) have paid all royalty fees payable with respect to such Systems in the past three years, except where the failure to file such statements of account or pay such fees would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (iii) have not received any notice from the Copyright Office that any material additional fees are owed.

(h) Except as set forth on Section 3.8(h) of the Seller Disclosure Schedule, each station carried by the Systems on the date hereof is carried pursuant to a written Retransmission Consent Agreement, "must-carry" election (including default "must-carry" elections, where no election was made) or other written Programming Agreement, copies of which have been delivered to Buyer. If Seller is unable to deliver copies of any such Retransmission Consent Agreement or Programming Agreement as a result of a confidentiality restriction set forth therein, Seller shall use reasonable best efforts to obtain the Consent of the applicable third party to deliver such Retransmission Consent Agreement or Programming Agreement to Buyer pursuant to this Section 3.8(h).

(i) Except as would not have, individually or in the aggregate, a Material Adverse Effect, the Group Companies have all pole attachments and conduit use contracts to operate the Systems as presently operated ("System Pole Contracts"). The Systems are in compliance in all respects with all System Pole Contracts and applicable Laws, including the National Electric Safety Code, and the requirements of any applicable utility, except for any non-compliance that would not, individually or in the aggregate, be material to the Group Companies, taken as a whole.

This Section 3.8, together with Section 3.6, Section 3.7 and Section 3.10(c), contains the sole and exclusive representations and warranties of the Companies regarding communications law matters.

Section 3.9 Material Contracts.

(a) Except as set forth on Section 3.9(a) of the Seller Disclosure Schedule (collectively, the "Material Contracts") and except for this Agreement and except for any Material Real Property Lease, as of the date of this Agreement, no Group Company is a party to or bound by any Contract:

(i) that is a Contract with any officer, individual employee or independent contractor on a full time, part time, consulting or other basis providing annual compensation in excess of $250,000 (two hundred fifty thousand dollars) (other than any "at will" Contract that may be terminated by any Group Company upon thirty (30) days or less advance notice), including Contracts with respect to employment, severance, separation, change in control, retention or similar arrangements for the provision of services to the Group Companies on a full or part time basis;

(ii) that restricts in any material respect the conduct of business by the Group Companies or their ability to compete in any line of business in any geographical area or that in any way limits in any material respect the ability of any Group Company to compete with any Person;

(iii) that is a Retransmission Consent Agreement;

(iv) that relates to programming pursuant to which the Group Companies will spend (or are expected to spend), in the aggregate, more than $1,000,000 (one million dollars) during the current fiscal year;

(v) that relates to the lease, indefeasible right of use, or other similar right of the Group Companies to utilize fiber in its business and pursuant to which the Group Companies will spend (or are expected to spend) in the aggregate, more than $500,000 (five hundred thousand dollars) during the current fiscal year;

(vi) that is a lease, license or agreement under which any Group Company is lessor or licensor of or permits any third party to hold, use or operate any tangible property (other than real property) or Intellectual Property Rights, owned or controlled by the Group Companies (or a license for any Group Company to use the Intellectual Property of any third party), except for any lease, license or agreement under which the aggregate annual payments do not exceed $1,000,000 (one million dollars);

(vii) that is an agreement (or combination of agreements with the same vendor) to which any Group Company is a party that permits any Group Company to obtain telephone numbers for assignment to voice service subscribers and to connect to and interoperate with the public switched telephone network, and pursuant to which the Group Companies will spend or receive (or are expected to spend or receive), in the aggregate, more than $2,000,000 (two million dollars) during the current fiscal year;

(viii) the loss of which would have a Material Adverse Effect;

(ix) that has future sums due from the Group Companies during the period commencing on the date of this Agreement and ending on the 12-month anniversary of this Agreement in excess of an aggregate amount therefor of $2,500,000 (two million five hundred thousand dollars) and which is not terminable without material penalty upon not more than ninety (90) days' notice to the counterparty;

(x) that is a collective bargaining agreement, labor contract or other written agreement or arrangement with any labor union or any employee organization;

(xi) that is a Contract pursuant to which any Group Company has agreed, as of the date of this Agreement, to acquire or dispose of (A) any System, headend, Franchise, Permit, business or all or substantially all the assets of any Person or business or (B) any other assets other than, in the case of this clause (B) only, in the ordinary course of business;

(xii) that provides for earn-outs payable by any Group Company;

(xiii) that involves any material joint venture, legal partnership, strategic alliance or similar arrangement;

(xiv) that is with any Governmental Entity (including pertaining to alleged violations of applicable Law other than Franchises) involving the payment or receipt by the Group Companies of amounts in excess of $250,000 (two hundred fifty thousand dollars) during the current fiscal year;

(xv) that grants or restricts the right to use material Intellectual Property Rights used in the Business (other than licenses granting rights to use readily available commercial "off the shelf" or "click wrap" software, and licenses to suppliers and distributors, and implied licenses granted in the ordinary course of business of the Group Companies);

(xvi) that relates to any material settlement with respect to disputes;

(xvii) that contains (i) other than pursuant to or as required by applicable Law, a “clawback” or similar undertaking requiring the contribution, reimbursement or refund by a Group Company of any prior distribution, return of capital or fees (whether performance based or otherwise) paid to the Group Companies or (ii) a “most favored nation” or “exclusivity” or similar provision; or

(xviii) that relates to Indebtedness, except any such agreement between or among any of the Company and its wholly owned Subsidiaries.

(b) Except as set forth on Section 3.9(b) of the Seller Disclosure Schedule, each Material Contract is in full force and effect and valid and binding on the applicable Group Company and enforceable in accordance with its terms against such Group Company and, to the knowledge of the Companies, each other party thereto (subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting generally the enforcement of creditors’ rights and subject to general principles of equity). Copies of all such Material Contracts have been made available to Buyer in the electronic data room or in on-site meetings as of midnight on July 17, 2012, and such copies are complete and correct (except insofar as any Material Contracts contain or are otherwise subject to confidentiality provisions under which only a redacted copy thereof may be provided in order to maintain compliance with such confidentiality provisions, in which case a copy so redacted has been made available). Except as set forth on Section 3.9(b) of the Seller Disclosure Schedule, no condition exists or event exists which (whether with or without notice or lapse of time or both) would constitute a breach or default (or has been alleged in a communication to the Group Companies in writing or, to the knowledge of the Companies, orally to constitute a breach or default) by any of the Group Companies or, to the knowledge of the Companies, any other party thereto under, or result in a right of termination of (and no written notice of any intent to terminate has been received by any of the Group Companies), or give rise to any right to accelerate or otherwise modify any other right or obligation under, any such Material Contract, except for defaults or rights that have not had or reasonably would not be expected to have a Material Adverse Effect. None of the Group Companies has received written notice from any other party of its intent to cancel or terminate any Material Contract.

Section 3.10 Absence of Changes; No Undisclosed Liabilities.

(a) Except as set forth on Section 3.10 of the Seller Disclosure Schedule, during the period beginning on the date of the Latest Balance Sheet and ending on the date of this Agreement, (i) there has not been any event, change, occurrence or circumstance that has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (ii) each Group Company has conducted its business in the ordinary course substantially consistent with past practices and (iii) since the Latest Balance Sheet, none of the Group Companies has taken any action that, if taken after the date hereof, would constitute a breach of Section 6.1 absent consent of Buyer.

(b) Except to the extent of (i) liabilities disclosed or reserved for in the Financial Statements (including Taxes), (ii) liabilities incurred after the Latest Balance Sheet in the ordinary course of business consistent with past practice or (iii) liabilities of a type which are the subject matter of any other representation (without regard to any specific exclusions from such representations) in this ARTICLE 3 (other than this Section 3.10) or which are set forth on the Seller Disclosure Schedule, the Group Companies do not have any liabilities which would be required to be set forth on a balance sheet in accordance with GAAP.

(c) Notwithstanding the foregoing or anything to the contrary herein, except as set forth on Section 3.10(c) of the Seller Disclosure Schedule, for income tax accruals for the current tax year (which will either be paid prior to Closing or included in Current Liabilities in Net Working Capital) or for ordinary course franchise taxes payable to the State of Delaware (which will either be paid prior to Closing or included in Current Liabilities in Net Working Capital), none of the Companies have any liabilities (including as a result of the sale of the Companies) other than the Seller Expenses.

Section 3.11 Litigation. Except as set forth on Section 3.11 of the Seller Disclosure Schedule, there is no material Action pending or, to the Companies' knowledge, threatened against any Group Company before any Governmental Entity. Except as set forth on Section 3.11 of the Seller Disclosure Schedule, no Group Company is subject to any material outstanding Order.

Section 3.12 Compliance with Applicable Law. Except as set forth on Section 3.12 of the Seller Disclosure Schedule, since January 1, 2009, the business of the Group Companies has been operated in compliance in all material respects with all applicable Laws. Except as set forth on Section 3.12 of the Seller Disclosure Schedule, as of the date of this Agreement, there is no Action pending or, to the Companies' knowledge, threatened by any Governmental Entity with respect to any alleged violation by any Group Company of any applicable Law or Order of any Governmental Entity, except for Actions that individually or in the aggregate would not be material to the Group Companies taken as whole. This Section 3.12 does not relate to Permits (which is the subject of Section 3.7), communication law matters (which is the subject of Section 3.8), employee benefit plan matters (which is the subject of Section 3.13), environmental matters (which is the subject of Section 3.14), intellectual property matters (which is the subject of Section 3.15), labor matters (which is the subject of Section 3.16) or Tax matters (which is the subject of Section 3.18).

Section 3.13 Employee Plans.

(a) Section 3.13(a) of the Seller Disclosure Schedule lists all Employee Benefit Plans.

(b) None of the Group Companies maintains, contributes to, or has any liability, whether contingent or otherwise, with respect to any "employee benefit plan" that is, or has been, subject to Title IV of ERISA or Section 412 of the Code. Except as set forth on Section 3.13(b) of the Seller Disclosure Schedule, no Employee Benefit Plan provides health or other welfare benefits to former employees of any Group Company other than health continuation coverage pursuant to COBRA.

(c) Except as set forth on Section 3.13(c) of the Seller Disclosure Schedule, each Employee Benefit Plan has been maintained and administered in compliance in all material respects with the applicable requirements of ERISA, the Code and any other applicable Laws.

Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service or is the subject of a favorable opinion letter from the Internal Revenue Service on the form of such Employee Benefit Plan and, to the Companies' knowledge, no event has occurred or condition exists that would be reasonably likely to adversely affect the qualified status of any such Employee Benefit Plan or result in the imposition in connection with an Employee Benefit Plan of any liability, Tax or penalty (civil or otherwise) imposed by ERISA, the Code or other applicable Law for noncompliance with any such Law.

(d) No material liability under Title IV of ERISA has been or, to the Companies' knowledge, is reasonably expected to be incurred by any Group Company.

(e) No Group Company has engaged in any transaction with respect to any Employee Benefit Plan that would be reasonably likely to subject any Group Company to any material Tax or penalty (civil or otherwise) imposed by ERISA, the Code or other applicable Law.

(f) With respect to each Employee Benefit Plan, the Company has made available to Buyer true, correct and complete copies, to the extent applicable, of (i) the plan and trust documents and the most recent summary plan description, (ii) the most recent annual report (Form 5500 series), (iii) the most recent financial statements, (iv) the most recent Internal Revenue Service determination letter and (v) any material associated administrative agreements or insurance policies.

(g) No amount that could be received (whether in cash or property or the vesting of property), as a result of the consummation of the transactions contemplated by this Agreement, whether alone or when considered in conjunction with any other event, by any employee, director or other service provider of any of the Group Companies under any Employee Benefit Plan or otherwise or would be subject to an excise tax under Section 4999 of the Code. Except as set forth on Section 3.13(g) of the Seller Disclosure Schedule, the consummation of the transactions contemplated by this Agreement will not, alone or in conjunction with another event (where such other event would not alone have an effect described in this sentence), trigger an obligation to make any payment or provide any benefit, accelerate the time of payment, funding or vesting or increase the amount payable under any Employee Benefit Plan.

(h) Each Employee Benefit Plan is either exempt from or has been established, documented, maintained and operated in compliance in all material respects with Section 409A of the Code and the applicable guidance issued thereunder. To the extent an Employee Benefit Plan has been corrected without penalty in accordance with guidance issued by the Internal Revenue Service prior to the Effective Time, it shall be considered maintained and operated in compliance in all material respects with Section 409A of the Code and the applicable guidance issued thereunder for purposes of this Section 3.13.

This Section 3.13, together with Section 3.10(c), contains the sole and exclusive representations and warranties of the Companies with respect to employee benefit matters.

Section 3.14 Environmental Matters.

(a) Except as set forth on Section 3.14 of the Seller Disclosure Schedule, and except as would not reasonably be expected to have a Material Adverse Effect:

(i) The Group Companies are, and since January 1, 2009 have been, in compliance with all Environmental Laws.

(ii) Without limiting the generality of the foregoing, the Group Companies hold and are in compliance with all permits, licenses and other authorizations that are required pursuant to Environmental Laws.

(iii) No Group Company has since January 1, 2009 received any currently unresolved written notice of any violation of, or liability (including any investigatory, corrective or remedial obligation) under any Environmental Laws.

(iv) No Group Company is subject to any Environmental Claim, and to the Companies' knowledge, no Environmental Claim is threatened against any Group Company.

(v) Hazardous Materials are not present at and have not been disposed of, arranged to be disposed of, transported, released or threatened to be released at or from any of the properties or facilities currently or formerly owned, leased or operated by any Group Company in violation of, or in a condition or a manner or to a location that could reasonably be expected to give rise to liability to any Group Company under or relating to, any Environmental Laws.

(vi) No Group Company has contractually assumed or provided indemnity against any obligation or liability of any other Person under or relating to any Environmental Laws.

(b) This Section 3.14, together with Section 3.10(c), contains the sole and exclusive representations and warranties of the Companies with respect to environmental matters, including any matters arising under Environmental Laws.

Section 3.15 Intellectual Property. Except as set forth on Section 3.15 of the Seller Disclosure Schedule, the Group Companies exclusively own the Intellectual Property Rights registrations and applications set forth on Section 3.15 of the Seller Disclosure Schedule, and own, license or otherwise have a right to use (in each case, free and clear of all Liens except for Permitted Liens) the other Intellectual Property Rights material to the conduct of the business of the Group Companies as currently conducted (collectively, the "IP Rights"). Section 3.15-2 of the Seller Disclosure Schedule sets forth a list of (a) patents or registrations of IP Rights owned by any Group Company and (b) patent applications or applications for the registration of IP Rights owned by any Group Company. The Group Companies take all reasonable efforts to protect the trade secrets owned by the Group Companies and included in the IP Rights. Except as set forth on Section 3.15 of the Seller Disclosure Schedule, (x) there is not pending against any Group Company any claim by any third party contesting the use or ownership of any material Group Company IP Right owned or used by such Group Company, or alleging that any Group Company is infringing any Intellectual Property Rights of a third party in any material respect, and (y) there are no claims pending that have been brought by any Group Company against any third party alleging infringement of any Intellectual Property Rights owned by such Group Company. Except as set forth on Section 3.15-4 of the Seller Disclosure Schedule, to the Group Companies' knowledge (A) the conduct of the business of the Group Companies as currently conducted does not infringe any Intellectual Property Rights of any third party and (B) no third party is infringing any material IP Rights.

This Section 3.15, together with Section 3.10(c), contains the sole and exclusive representations and warranties of the Companies regarding intellectual property matters.

Section 3.16 Labor Matters. Except as set forth on Section 3.16 of the Seller Disclosure Schedule, (a) no Group Company is a party to any collective bargaining agreement with respect to its employees and none is presently being negotiated, (b) there is no labor strike, work stoppage, lockout, or other material labor dispute pending or, to the Companies' knowledge, threatened in writing against any Group Company, nor has there been any such event since January 1, 2009, (c) to the Companies' knowledge, as of the date of this Agreement, no union organization campaign is in progress with respect to any employees of any Group Company nor has there been any such activity since January 1, 2009 and (d) there is no material unfair labor practice charge or complaint pending against any Group Company, nor has there been since January 1, 2009, and (e) as of the date of this Agreement, the Business of the Group Companies is operated in material compliance with all applicable employment-related Laws, including those Laws relating to employment practices, compensation, hours, terms and conditions of employment, and the termination of employment, including any obligations pursuant to the Worker Adjustment and Retraining Notification Act of 1988 (or similar state or local plant closing or mass layoff statute, rule or regulation) ("WARN"), the proper classification of employees as exempt or non-exempt from overtime pay requirements, the provision of required meal and rest breaks, and the proper classification of individuals as contractors or employees, except, in each case, for noncompliance that individually or in the aggregate would not be material to the Companies taken as a whole. No Group Company has engaged in any location closing or employee layoff activities during the ninety (90) day period prior to the date hereof that would require the giving of notice pursuant to WARN.

This Section 3.16, together with Section 3.10(c), contains the sole and exclusive representations and warranties of the Companies with respect to labor matters.

Section 3.17 Insurance. Section 3.17 of the Seller Disclosure Schedule contains a list of all policies of fire, liability, workers' compensation, property, casualty and other forms of insurance owned or held by the Group Companies as of the date of this Agreement. All such policies are in full force and effect, all premiums with respect thereto covering all periods up to and including the Closing Date will have been paid, and no notice of cancellation or termination has been received by any Group Company with respect to any such policy. Except as set forth on Section 3.17 of the Seller Disclosure Schedule, (a) no Group Company has made any claim under any such policy during the three (3) year period prior to the date of this Agreement with respect to which an insurer has, in a written notice to a Group Company, questioned, denied or disputed or otherwise reserved its rights with respect to coverage, (b) no insurer has threatened in writing to cancel any such policy and (c) to the knowledge of the Companies, there does not exist any event, circumstance or condition, upon consummation of the transactions contemplated hereby or otherwise, other than in the ordinary course of business, which upon the giving of notice or the lapse of time or both, would reasonably be expected to result in the termination, or reduction in the benefits, or increase in the cost, to any Group Company, of any such policy.

Section 3.18 Tax Matters. Except as set forth on Section 3.18 of the Seller Disclosure Schedule:

(a) each Group Company has prepared and duly filed with the appropriate domestic federal, state, local and foreign taxing authorities all material tax returns, information returns, statements, forms, filings, schedules and reports (each a "Tax Return" and, collectively, the "Tax Returns") required to be filed with respect to any Group Company and has timely paid all material Taxes owed or payable by it, whether or not shown on such Tax Returns, including Taxes which any Group Company is obligated to withhold;

(b) all Tax Returns filed with respect to each of the Group Companies are true and correct in all material respects;

(c) there are no Liens for Taxes on any of the assets of any Group Company, other than Permitted Liens;

(d) no Group Company is currently the subject of a Tax audit or examination and, to the knowledge of the Companies, no Tax audit or examination of any Tax Return relating to any Taxes of any Group Company is threatened or contemplated;

(e) no Group Company has consented to extend the time, or is the beneficiary of any extension of time, in which any Tax may be assessed or collected by any taxing authority;

(f) no Group Company has received from any taxing authority any written notice of proposed adjustment, deficiency, underpayment of Taxes or any other such written notice which has not been satisfied by payment or been withdrawn;

(g) no claim has been made in writing by any taxing authority in a jurisdiction where any Group Company does not file Tax Returns that any such Group Company is or may be subject to taxation by that jurisdiction;

(h) no Group Company (i) is or has ever been a member of an affiliated group of corporations filing a consolidated federal income Tax Return or (ii) has any liability for the Taxes of any Person under Treasury Regulations Section 1.1502-6 (or any similar provision of any state, local, or foreign law), as a transferee or successor, by contract, or otherwise;

(i) each Group Company has collected all material sales, use and telecommunications Taxes required to be collected, and has remitted, or will remit on a timely basis, such amounts to the appropriate governmental authorities, or has been furnished properly completed exemption certificates and has maintained all such records and supporting documents in the manner required by all applicable sales, use and telecommunications Tax statutes and regulations;

(j) no Group Company has participated in or has any liability or obligation with respect to any "reportable transaction" within the meaning of Treasury Regulations Section 1.6011-4;

(k) no Group Company is a party to, or bound by, or has any obligation under, any tax allocation or sharing agreement or similar contract or arrangement or any agreement that obligates it to make any payment computed by reference to the Taxes, taxable income or taxable losses of any other Person; and

(l) no Group Company will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Closing Date, (ii) "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state or local income Tax law) executed on or prior to the Closing Date, (iii) intercompany transactions or any excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state or local income Tax law), (iv) installment sale or open transaction disposition made on or prior to the Closing Date, or (v) prepaid amount received on or prior to the Closing Date.

Section 3.19 Brokers. No broker, finder, financial advisor or investment banker, other than Credit Suisse Securities (USA) LLC (whose fees shall be included in the Seller Expenses), is entitled to any broker's, finder's, financial advisor's, investment banker's fee or commission or similar payment in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of any Group Company.

Section 3.20 Real and Personal Property.

(a) Real Property. Section 3.20(a) of the Seller Disclosure Schedule sets forth (i) a list of all real property owned by any Group Company (such real property, the "Owned Real Property") and (ii) a list of all Leases (each a "Material Real Property Lease") of real property (such real property, the "Leased Real Property") (A) pursuant to which any Group Company is a party (whether as lessee or lessor) as of the date of this Agreement, except for any Lease pursuant to which any Group Company holds Leased Real Property for which the aggregate annual rental payments do not exceed $250,000 (two hundred fifty thousand dollars) and (B) in which any headend used in the Business is located.

(i) The Companies or their Subsidiaries have good and marketable fee simple title to all of the Owned Real Property, in each case free and clear of all Liens other than Permitted Liens. Except as set forth on Section 3.20(a) of the Seller Disclosure Schedule, (A) a Group Company has a good, valid and beneficial leasehold interest in each Material Real Property Lease, free and clear of all Liens, other than Permitted Liens, (B) each Material Real Property Lease is valid and binding on the Group Company party thereto, enforceable in accordance with its terms (subject to proper authorization and execution of such Material Real Property Lease by the other party thereto and subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting generally the enforcement of creditors' rights and subject to general principles of equity), (C) except as set forth on Section 3.20(a) of the

Seller Disclosure Schedule, each of the Group Companies, and, to the Companies' knowledge, each of the other parties thereto, has performed in all material respects all material obligations required to be performed by it under each Material Real Property Lease and there exists no outstanding default, or any condition, state of facts or event that with the passage of time or giving of notice would constitute a material breach or a material default, in the performance of any obligations under any of the Material Real Property Leases by the Group Companies, or, to the Companies' knowledge, by the landlord or any other party to any of the Material Real Property Leases and (D) a Group Company is in sole possession of the Owned Real Property and the premises demised under each Material Real Property Lease. Except as disclosed on Section 3.20(a) of the Seller Disclosure Schedule, (x) there are no written or oral subleases, concessions, assignments or mortgages granting to any Person other than a Group Company the right to use or occupy any Owned Real Property or Material Real Property Lease and (y) there are no outstanding options, rights of first offer or rights of first refusal to purchase or sell all or a portion of such Owned Real Property and Leased Real Property. The Owned Real Property and Leased Real Property are all the real property and interests in real property that is necessary or material to the conduct of the Business.

(ii) Since January 1, 2009, neither the Companies nor any Group Company has received written notice of any condemnation proceeding or proposed action or agreement for taking in lieu of condemnation, nor is any such proceeding, action or agreement pending or, to the knowledge of the Companies, threatened in writing, with respect to any portion of any Owned Real Property or Leased Real Property.

(b) Personal Property. Except as disclosed on Section 3.20(b) of the Seller Disclosure Schedule, as of the date of this Agreement, the Group Companies collectively own or hold under valid leases all material items of Fixtures and Equipment (excluding, for the avoidance of doubt, Intellectual Property Rights) necessary for the conduct of their businesses as currently conducted, subject to no Lien except for Liens identified in Section 3.20(b) of the Seller Disclosure Schedule and Permitted Liens.

Section 3.21 Transactions with Affiliates. Section 3.21 of the Seller Disclosure Schedule sets forth all contracts or arrangements between any Group Company, on the one hand, and Affiliates of the Group Companies (other than any Group Company or any employee of any Group Company who is not an officer of any Group Company), on the other hand, that will not be terminated effective as of the Closing Date (the "Affiliate Contracts"). Except as disclosed on Section 3.21 of the Seller Disclosure Schedule and to the Companies' knowledge, none of the Group Companies' or their respective Affiliates' (including Seller or any of its Affiliates) directors, officers or employees (i) possesses, directly or indirectly, any financial interest in, or is a director, officer or employee of, any Person (other than any Group Company) which is a client, supplier, customer, lessor, lessee or competitor of any Group Company or (ii) owns any property right, tangible or intangible, which is used by a Group Company in the conduct of its business. Ownership of one (1) percent or less of any class of securities of a company whose securities are registered under the Exchange Act shall not be deemed to be a financial interest for purposes of this Section 3.21.

Section 3.22 Subscribers; System Information.

(a) Section 3.22 of the Seller Disclosure Schedule sets forth the Subscriber Accounting Policy and the EBU Accounting Policy as in effect as of the date hereof and (i) the aggregate numbers of Basic Subscribers, Digital Subscribers, High-speed Data Residential Subscribers, and Telephone Residential Subscribers of the Business as of June 30, 2012, in each case determined in accordance with the Subscriber Accounting Policy and (ii) the aggregate number of EBUs of the Business as of June 30, 2012, determined in accordance with the EBU Accounting Policy.

(b) Schedule 3.22(b) of the Seller Disclosure Schedule sets forth as of June 30, 2012, the (i) approximate aggregate number of two-way plant miles of the Systems and for each headend located in the Systems, (ii) MHz to which such plant miles have been constructed, (iii) the approximate number of homes passed by the Systems' plant and for each headend located in the Systems (provided that for purposes hereof, "homes" includes each single-family home, individual dwelling unit within a multifamily complex and commercial establishment), (iv) a description of basic and option or tier services available and the rates charged in the Business and (v) the bandwidth capacity of each System in the Business for each headend.

(c) None of the Group Companies, directly or indirectly, owns any Systems other than the cable systems listed on Section 3.22(c) of the Seller Disclosure Schedule. None of the Group Companies, directly or indirectly, manages or operates any cable systems that it does not, directly or indirectly, own (other than Grande).

Section 3.23 Condition and Sufficiency of Assets. The assets owned or leased by Group Companies are, in all material respects, in good operating condition (other than normal wear and tear) and repair having regard to their use and age. The assets owned or leased by the Group Companies constitute all of the assets used or held for use in connection with the Business substantially as currently conducted and constitute all of the assets necessary to conduct the Business as it is currently conducted.

Section 3.24 EXCLUSIVITY OF REPRESENTATIONS AND WARRANTIES. NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO BUYER OR ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION (INCLUDING ANY FINANCIAL PROJECTIONS OR OTHER SUPPLEMENTAL DATA), EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS ARTICLE 3, ARTICLE 4 AND SECTION 5.6 AND ANY CERTIFICATE OR OTHER INSTRUMENT DELIVERED BY THE COMPANIES PURSUANT TO THIS AGREEMENT, THE COMPANIES EXPRESSLY DISCLAIM ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE SHARES OR BUSINESSES OR ASSETS OF ANY OF THE GROUP COMPANIES, AND THE COMPANIES SPECIFICALLY DISCLAIM ANY REPRESENTATION OR WARRANTY OF MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO SUCH ASSETS, ANY PART THEREOF, THE WORKMANSHIP THEREOF, AND THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT, IT BEING UNDERSTOOD THAT, EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS ARTICLE 3, ARTICLE 4 AND SECTION 5.6 AND ANY CERTIFICATE OR OTHER INSTRUMENT DELIVERED BY THE

COMPANIES PURSUANT TO THIS AGREEMENT, SUCH ASSETS ARE BEING ACQUIRED "AS IS, WHERE IS" ON THE CLOSING DATE, AND IN THEIR PRESENT CONDITION, AND BUYER SHALL RELY ON ITS OWN EXAMINATION AND INVESTIGATION THEREOF AS WELL AS THE REPRESENTATIONS AND WARRANTIES OF THE COMPANIES AND SELLER SET FORTH IN THIS AGREEMENT AND ANY CERTIFICATE OR OTHER INSTRUMENT DELIVERED BY THEM PURSUANT HERETO.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the Seller Disclosure Schedule, Seller hereby represents and warrants to Buyer as follows:

Section 4.1 Organization and Qualification; Authority.

(a) Seller is a limited liability company duly organized, validly existing and in good standing (if applicable) under the laws of its jurisdiction of formation. Seller has the requisite limited liability company power and authority to own, lease and operate its material properties and to carry on its businesses as presently conducted, except as would not have an effect on Seller's ownership of the Shares, or otherwise prevent or materially delay the Closing. Seller is duly qualified or licensed to transact business and is in good standing (if applicable) in each jurisdiction in which the property and assets owned, leased or operated by it, or the nature of the business conducted by it, makes such qualification or licensing necessary, except as would not have an effect on Seller's ownership of the Shares, or otherwise prevent or materially delay the Closing.

(b) Seller has the requisite limited liability company power and authority to execute and deliver this Agreement and each of the Ancillary Documents to which Seller is a party and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the Ancillary Documents to which Seller is a party and the consummation of the transactions contemplated hereby have been (and such Ancillary Documents to which Seller is a party will be) duly authorized by all necessary limited liability company action on the part of Seller. This Agreement has been (and the Ancillary Documents to which Seller is a party will be) duly executed and delivered by Seller and constitute a valid, legal and binding agreements of Seller, enforceable against Seller in accordance with their terms, except (i) to the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and (ii) that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding thereof may be brought.

Section 4.2 Consents and Approvals; No Violations.

(a) Except as set forth on Section 4.2(a) of the Seller Disclosure Schedule, no notices to, filings with, or authorizations, consents or approvals of any Person or Governmental Entity are necessary for the execution, delivery or performance by Seller of this Agreement or the Ancillary Documents to which Seller is a party or the consummation by Seller of the transactions contemplated hereby, except for (i) compliance with and filings under the HSR Act, (ii) the FCC Approvals required to be made with or obtained from the FCC under the Communications Act and the FCC Rules and as set forth on Section 3.6 of the Seller Disclosure Schedule, (iii) the LFA Approvals required to be made with or obtained from any LFA concerning a Franchise and as set forth on Section 3.6 of the Seller Disclosure Schedule, (iv) those the failure of which to obtain or make would not have an effect on Seller's ownership of the Shares, or otherwise prevent or materially delay the Closing and (v) those that may be required solely by reason of Buyer's (as opposed to any other third party's) participation in the transactions contemplated hereby.

(b) Neither the execution, delivery or performance by Seller of this Agreement or the Ancillary Documents to which Seller is a party nor the consummation by Seller of the transactions contemplated hereby will (i) conflict with or result in any breach of any provision of Seller's Governing Documents, (ii) except as set forth on Section 4.2 of the Seller Disclosure Schedule, result in a violation or breach of, or cause acceleration, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right, including termination, cancellation, modification or acceleration) under any of the terms, conditions or provisions of any material Contract to which Seller is a party, (iii) assuming the FCC Approvals and LFA Approvals have been obtained prior to consummation by Seller of the transactions contemplated hereby and the FCC Approvals and LFA Approvals have not been stayed, suspended, revoked, or invalidated, violate any applicable Law or Order of any Governmental Entity having jurisdiction over Seller or any of its properties or assets, (iv) except as expressly contemplated by this Agreement, result in Buyer, Seller or any Group Company being required to acquire or offer to acquire any Equity Interests or any material asset owned by any Group Company or third party or (v) except as contemplated by this Agreement, result in the creation of any Lien upon any of the equity, assets or properties of Seller, which, in the case of clauses (ii) or (v) above, would have an effect on Seller's ownership of the Shares, or otherwise prevent or materially delay the Closing.

Section 4.3 Title to the Shares. Seller owns of record and beneficially all of the Shares, and Seller has good and valid title to the Shares, free and clear of all Liens. Upon the delivery of the Shares, Buyer will acquire good and valid title to all of the Shares, free and clear of any Liens.

Section 4.4 Litigation. There is no Action pending or, to Seller's actual knowledge, threatened in writing against Seller before any Governmental Entity which would have an effect on Seller's ownership of the Shares, or otherwise prevent or materially delay the Closing or otherwise prevent Seller from complying with the terms and provisions of this Agreement. Seller is not subject to any outstanding Order that would have an effect on Seller's ownership of the Shares, or otherwise prevent or materially delay the Closing.

Section 4.5 Brokers. No broker, finder, financial advisor or investment banker, other than Credit Suisse Securities (USA) LLC (whose fees shall be included in the Seller Expenses), is entitled to any broker's, finder's, financial advisor's, investment banker's fee or commission or similar payment in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller.

Section 4.6 EXCLUSIVITY OF REPRESENTATIONS AND WARRANTIES. NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO BUYER OR ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION (INCLUDING ANY FINANCIAL PROJECTIONS OR OTHER SUPPLEMENTAL DATA), THE REPRESENTATIONS AND WARRANTIES MADE BY SELLER IN THIS ARTICLE 4 AND MADE BY THE COMPANIES IN ARTICLE 3 ARE IN LIEU OF AND ARE EXCLUSIVE OF ALL OTHER REPRESENTATIONS AND WARRANTIES, INCLUDING ANY IMPLIED WARRANTIES. SELLER HEREBY DISCLAIMS ANY SUCH OTHER OR IMPLIED REPRESENTATIONS OR WARRANTIES, INCLUDING ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE SHARES OR THE BUSINESSES OR ASSETS OF THE GROUP COMPANIES, AND SPECIFICALLY DISCLAIM ANY REPRESENTATION OR WARRANTY OF MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE ASSETS OF THE GROUP COMPANIES, ANY PART THEREOF, THE WORKMANSHIP THEREOF, AND THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT, IT BEING UNDERSTOOD THAT, EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THE REPRESENTATIONS AND WARRANTIES MADE BY SELLER IN THIS ARTICLE 4 AND MADE BY THE COMPANIES IN ARTICLE 3 AND ANY CERTIFICATE OR OTHER INSTRUMENT DELIVERED BY THE COMPANIES PURSUANT TO THIS AGREEMENT, SUCH SUBJECT ASSETS ARE BEING ACQUIRED "AS IS, WHERE IS" ON THE CLOSING DATE, AND IN THEIR PRESENT CONDITION, AND BUYER SHALL RELY ON ITS OWN EXAMINATION AND INVESTIGATION THEREOF AS WELL AS THE REPRESENTATIONS AND WARRANTIES OF SELLER AND THE COMPANIES SET FORTH IN THIS AGREEMENT AND ANY CERTIFICATE OR OTHER INSTRUMENT DELIVERED BY THE COMPANIES PURSUANT HERETO.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF BUYER

Except as set forth in the Buyer Disclosure Schedule, Buyer hereby represents and warrants to Seller and the Companies as follows:

Section 5.1 Organization. Buyer is a corporation, duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and has all requisite power and authority to carry on its businesses as now being conducted, except where the failure to have such power or authority would not prevent or materially delay the consummation of the transactions contemplated hereby. Buyer has delivered to the Companies copies of its respective Governing Documents in effect as of the date of this Agreement.

Section 5.2 Authority. Buyer has all necessary power and authority to execute and deliver this Agreement and the Ancillary Documents to which Buyer is a party and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the Ancillary Documents to which Buyer is a party and the consummation of the transactions contemplated hereby have been (and the Ancillary Documents to which Buyer is a party will be) authorized by all necessary action on the part of Buyer and no other proceeding (including by its equityholders) on the part of Buyer is necessary to authorize this Agreement and the Ancillary Documents to which Buyer is a party or to consummate the transactions contemplated hereby. No vote of Buyer's equityholders is required to approve this Agreement or for Buyer to consummate the transactions contemplated hereby. This Agreement has been (and the Ancillary Documents to which Buyer is a party will be) duly and validly executed and delivered by Buyer and constitute a valid, legal and binding agreement of Buyer (assuming this Agreement has been and the Ancillary Documents to which Buyer is a party will be duly authorized, executed and delivered by Seller and the Companies), enforceable against Buyer in accordance with their terms, except (i) to the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and (ii) that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding thereof may be brought.

Section 5.3 Consents and Approvals; No Violations. Assuming the truth and accuracy of the Companies' representations and warranties contained in Section 3.6 and Seller's representations and warranties contained in Section 4.2, no material notices to, filings with, or authorizations, consents or approvals of any Governmental Entity are necessary for the execution, delivery or performance of this Agreement or the Ancillary Documents to which Buyer is a party or the consummation by Buyer of the transactions contemplated hereby, except for (i) compliance with and filings under the HSR Act, (ii) the FCC Approvals required to be made with or obtained from the FCC under the Communications Act and the FCC Rules, (iii) the LFA Approvals as are required to be made with or obtained from any LFA concerning a Franchise, and (ii) those set forth on Section 5.3 of the Buyer Disclosure Schedule. Neither the execution, delivery and performance by Buyer of this Agreement and the Ancillary Documents to which Buyer is a party nor the consummation by Buyer of the transactions contemplated hereby will (a) conflict with or result in any breach of any provision of Buyer's Governing Documents, (b) except as set forth on Section 5.3 of the Buyer Disclosure Schedule, result in a violation or breach of, or cause acceleration, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which Buyer or any of its Subsidiaries, or Cogeco Inc., is a party or by which any of them or any of their respective properties or assets may be bound, or (c) assuming the FCC Approvals and LFA Approvals have been obtained prior to consummation by Buyer of the transactions contemplated hereby and the FCC Approvals and LFA Approvals have not been stayed, suspended, revoked, or invalidated, violate any Order or Law of any Governmental Entity applicable to Buyer or any of Buyer's Subsidiaries or any of their respective properties or assets, except in the case of clause (b) and clause (c) above, for violations which would not prevent or materially delay the consummation of the transactions contemplated hereby.

Section 5.4 Brokers. No broker, finder, financial advisor or investment banker is entitled to any brokerage, finder's, financial advisor's or investment banker's fee or commission or similar payment in connection with the transactions contemplated by this Agreement based upon arrangements made by and on behalf of Buyer or any of its respective Affiliates for which Seller or the Companies may become liable.

Section 5.5 Financing. Buyer has delivered to the Seller complete and correct copies of the Buyer Credit Agreement and an executed debt commitment letter and related term sheets (the "Debt Financing Commitment", as it may be amended or replaced from time to time to the extent permitted by Section 6.14(a)), from Bank of America, N.A. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Lenders")) pursuant to which, and subject to the terms and conditions of which, the Lenders have committed to provide loans in the amounts described therein, the proceeds of which shall be used in part to consummate the transactions contemplated hereby to be consummated by Buyer (the "Debt Financing"). The Debt Financing Commitment and the Buyer Credit Agreement are legal, valid and binding obligations of Buyer, and to the knowledge of Buyer, the other parties thereto, except (i) to the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and (ii) that the availability of equitable remedies, including, specific performance, is subject to the discretion of the court before which any proceeding thereof may be brought. As of the date hereof, the Debt Financing Commitment and the Buyer Credit Agreement are in full force and effect, and the Debt Financing Commitment and the Buyer Credit Agreement have not been withdrawn, rescinded or terminated or, except as permitted by Section 6.14(a), otherwise amended or modified in any respect, and no such amendment or modification is contemplated by Buyer as of the date hereof. Buyer is not in breach of any of the terms or conditions set forth in the Debt Financing Commitment or the Buyer Credit Agreement, and as of the date hereof, assuming, with respect to the Debt Financing Commitment, the accuracy of the representations and warranties set forth in Article 3 and Article IV, no event has occurred which, with or without notice, lapse of time or both, would reasonably be expected to constitute a breach, default or failure to satisfy any condition precedent to funding set forth in the Debt Financing Commitment or the Buyer Credit Agreement. As of the date hereof, assuming the accuracy of the representations and warranties set forth in Article 3 and Article 4 and the performance by the Company of its obligations under this Agreement, Buyer has no reason to believe that any of the conditions in the Debt Financing Commitment or the Buyer Credit Agreement will not be satisfied, or that the Debt Financing or the financing contemplated by the Buyer Credit Agreement will not be made available on a timely basis in order to consummate the transactions contemplated by this Agreement. As of the date hereof, no Lender has notified Buyer of its intention to terminate the Debt Financing Commitment or not to provide the Debt Financing, and no lender under the Buyer Credit Agreement has notified Buyer of its intention to not provide any Undisbursed Revolving Commitment (as defined in the Buyer Credit Agreement) to Buyer under the Buyer Credit Agreement. As of the date hereof, the Buyer has $750 million CDN of Undisbursed Revolving Commitments under the Buyer Credit Agreement. The net proceeds from the Debt Financing, together with freely available cash on the Buyer's balance sheet and Undisbursed Revolving Commitments under the Buyer Credit Agreement, will be sufficient to consummate the purchase of the Shares pursuant to Section 2.3 and the other transactions contemplated by this Agreement, including the payment of any fees and expenses of or payable by Buyer, or the Companies, and any related repayment or refinancing of any Indebtedness of the Companies or any of their Subsidiaries, and any other amounts required to be paid in connection with the consummation of the transactions contemplated by this Agreement. Buyer has paid in full any and all commitment or other fees required by the Debt Financing Commitment or the Buyer Credit Agreement that are due as of the date hereof. Except for fee letters with respect to fees and related arrangements (including flex provisions) with respect to the Debt Financing Commitment (which have been provided to

Seller in redacted form, other than any fee letters or portions thereof that do not relate to the amounts or conditionality of, or contain any conditions precedent to, the funding of the Debt Financing), as of the date hereof there are no side letters, understandings or other agreements or arrangements relating to the Debt Financing or the financing to be provided under the Buyer Credit Agreement, to which Buyer or any of its Affiliates are a party. There are no conditions precedent or other contingencies related to the funding of the full amount of the Debt Financing or the financing to be provided under the Buyer Credit Agreement other than as expressly set forth in this Agreement, the Debt Financing Commitments or the Buyer Credit Agreement or the payment of fees payable pursuant to the fee letters with respect to the Debt Financing Commitment (collectively, the "Disclosed Conditions"). No person has any right to impose, and none of any Lender, Buyer or any party to the Buyer Credit Agreement has any obligation to accept, any condition precedent to such funding other than the Disclosed Conditions nor any reduction to the aggregate amount available under the Debt Financing Commitment or the Buyer Credit Agreement on the Closing Date (nor any term or condition which would have the effect of reducing the aggregate amount available under the Debt Financing Commitment or the Buyer Credit Agreement on the Closing Date). Subject to the satisfaction (or waiver) of the conditions set forth in Section 7.1 and Section 7.2 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions), as of the date hereof Buyer has no reason to believe that it will be unable to satisfy on a timely basis any conditions to the funding of the full amount of the Debt Financing or the financing to be provided under the Buyer Credit Agreement, or that the Debt Financing or the financing to be provided under the Buyer Credit Agreement will not be available on the Closing Date. For the avoidance of doubt, it is not a condition to Closing under this Agreement for Buyer to obtain the Debt Financing or the financing to be provided under the Buyer Credit Agreement or any alternative financing.

Section 5.6 Solvency. Assuming (i) satisfaction of the conditions to Buyer's obligation to consummate the transactions contemplated by this Agreement, or waiver of such conditions, (ii) the accuracy of the representations and warranties set forth in ARTICLE 3 and ARTICLE 4 (for such purposes, such representations and warranties shall be true and correct in all material respects without giving effect to any "knowledge", materiality or "Material Adverse Effect" qualification or exception) and (iii) any estimates, projections or forecasts provided to Buyer prior to the Closing Date have been prepared in good faith on assumptions that were and continue to be reasonable, immediately after giving effect to the transactions contemplated by this Agreement (including the Debt Financing, the payment of all amounts required to be paid in connection with consummation of the transactions contemplated hereby, and the payment of all related fees and expenses), none of the Group Companies will (a) be insolvent (either because its financial condition is such that the sum of its debts is greater than the "fair saleable value" of its assets or because "the fair saleable value" of its assets is less than the amount required to pay its probable liability on its existing debts as they become absolute and mature, as such quoted terms are generally determined in accordance with applicable Laws governing determinations of the insolvency of debtors), (b) have unreasonably small capital with which to engage in its business as proposed to be conducted following the Closing Date or (c) have incurred debts beyond its ability to pay such debts as they become due.

Section 5.7 Investigation; No Other Representations.

(a) Buyer (i) has conducted its own independent review and analysis of, and, based thereon, has formed an independent judgment concerning, the business, assets, condition, operations and prospects of the Group Companies, and (ii) has had the opportunity to request such documents and information about the Group Companies and their respective businesses and operations as it and its representatives and advisors have deemed necessary to enable it to make an informed decision with respect to the execution, delivery and performance of this Agreement and the transactions contemplated hereby. Buyer has been afforded the opportunity to obtain any additional information necessary to verify the accuracy of any such information or of any representation or warranty made by the Companies or Seller herein or to otherwise evaluate the merits of the transactions contemplated hereby.

(b) In entering into this Agreement, Buyer has relied solely upon its own investigation and analysis and the representations and warranties of the Group Companies and Seller expressly contained in ARTICLE 3 and ARTICLE 4, respectively, and Buyer acknowledges that, other than as set forth in this Agreement and in the certificates or other instruments delivered pursuant hereto, none of Seller, the Group Companies or any of their respective directors, officers, employees, Affiliates, stockholders, agents or representatives makes or has made any representation or warranty, either express or implied, (x) as to the accuracy or completeness of any of the information provided or made available to Buyer or any of its respective agents, representatives, lenders or Affiliates prior to the execution of this Agreement or (y) except as set forth in Section 5.6, with respect to any projections, forecasts, estimates, plans or budgets of future revenues, expenses or expenditures, future results of operations (or any component thereof), future cash flows (or any component thereof) or future financial condition (or any component thereof) of any Group Company heretofore or hereafter delivered to or made available to Buyer or any of its respective agents, representatives, lenders or Affiliates. Without limiting the generality of the foregoing, none of Seller, the Group Companies or any of their respective directors, officers, employees, Affiliates, stockholders, agents or representatives has made, and shall not be deemed to have made, any representations or warranties in the materials relating to the business, assets or liabilities of the Group Companies made available to Buyer, including due diligence materials, memorandum or similar materials, or in any presentation of the business of the Group Companies by management of the Group Companies or others in connection with the transactions contemplated hereby, and no statement contained in any such materials or made in any such presentation shall be deemed a representation or warranty hereunder or otherwise or deemed to be relied upon by the Buyer in executing, delivering and performing this Agreement and the transactions contemplated hereby.

ARTICLE 6

COVENANTS

Section 6.1 Conduct of Business of the Companies. Except as contemplated by this Agreement, from and after the date hereof until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, each of Seller and the Companies shall, and shall cause each other Group Company to, except as set forth on Section 6.1 of the Seller Disclosure Schedule or as consented to in writing by Buyer (which consent shall not be unreasonably withheld, conditioned or delayed), (a) conduct its business in the ordinary and regular course in substantially the same manner heretofore conducted, (b) use commercially reasonable efforts to preserve substantially intact its business organization and to preserve the present commercial relationships with key Persons with whom it does business and (c) without limiting the generality of the foregoing, not do any of the following:

(i) take or omit to take any action that would reasonably be expected to result in a Material Adverse Effect;

(ii) declare, set aside or pay a dividend on, or make any other distribution in respect of, its or its Subsidiaries' Equity Interests, except dividends and distributions by any of the Companies' wholly owned Subsidiaries to a Company or another Group Company and dividends of Cash and Cash Equivalents;

(iii) acquire or agree to acquire in any manner (whether by merger or consolidation, the purchase of an equity interest in or a material portion of the assets of or otherwise) (A) any System, headend, Franchise, Permit, business or all or substantially all of the assets of any Person or business or (B) any other assets, other than, in the case of this clause (B) only, in the ordinary course of business;

(iv) convert any billing systems used in the ordinary course of Business;

(v) make any change to the Subscriber Accounting Policy, including as to disconnects;

(vi) except as required by the Communications Act, the FCC Rules or other applicable Law (including applicable must-carry laws), add or voluntarily delete any channels from any System of the Group Companies, or change the channel lineup or reposition any channel in any such system or commit to do any of the foregoing in the future, provided that in the event applicable Law requires the any Group Company to do any of the foregoing, the Group Company shall comply with all applicable Laws with respect to such actions;

(vii) amend their respective Governing Documents (whether by merger, consolidation or otherwise);

(viii) incur, create or assume any Lien on any of the property, rights or assets that will remain in existence at the Closing, other than a Permitted Lien;

(ix) sell, license, allow to lapse, lease, transfer or otherwise dispose of any (A) Systems, Franchises, Permits or headends or (B) other property, rights or assets of any Group Company other than, in the case of this clause (B) only, in the ordinary course of business (other than in each case to a wholly owned Subsidiary of the Group Companies);

(x) issue, sell, transfer, pledge, dispose of or encumber (other than with respect to any other wholly owned Subsidiary of such Group Company) (A) any Equity Interests of any Group Company; or (B) any options, warrants, rights of conversion or other rights, agreements, arrangements or commitments obligating any Group Company to issue, deliver or sell any Equity Interests of any Group Company;

(xi) except in the ordinary course of business, commit to make any capital expenditures after the Closing;

(xii) except in the ordinary course of business consistent with past practice under the Credit Facilities, incur, create, assume or otherwise become liable for any Indebtedness;

(xiii) make any loans, advances or capital contributions to, or investments in, any other Person;

(xiv) make any change in its accounting policies, unless such change is required by GAAP or applicable Law after the date hereof;

(xv) except as required under applicable Law or under the terms of any Employee Benefit Plan in existence on the date of this Agreement (A) grant or increase any severance or termination pay to (or amend any existing arrangement with) any of their respective current or former directors, officers, employees or independent contractors, in each case, in excess of $50,000 individually, (B) increase benefits payable under any severance or termination pay policies or employment agreements existing as of the date of this Agreement, in each case in excess of $50,000 individually, (C) establish, adopt, enter into, amend or terminate any Employee Benefit Plan or any plan, agreement, program, policy, or other arrangement that would be an Employee Benefit Plan if it were in effect as of the date of this Agreement, (D) increase the compensation, bonus or other benefits payable to any of their respective directors, officers or employees, other than increases in base salary for non-officer employees in the ordinary course of business consistent with past practice and other than the provision of retention bonuses which are treated as Seller Expenses, (E) accelerate the payment, right to payment or vesting of any material compensation or benefits, other than as expressly contemplated by this Agreement, (F) grant any equity or equity-based awards, or (G) loan or advance any money or property or renew or forgive a previously existing extension of credit (either directly or indirectly) to any current or former director, officer, employee or independent contractors;

(xvi) amend in any material respect, modify in any material respect, or terminate in each case any Contract that is a Material Contract pursuant to which any Group Company will spend or receive (or is expected to spend or receive) more than $1,000,000 during the current fiscal year, or enter into any Contract that would have been a Material Contract if in effect on the date of this Agreement other than in the ordinary course of business consistent with past practice that is not adverse to the Group Companies in any material respect (it being understood that the addition of or changes to “most-favored nation” clauses and changes in the amount of fees or manner in which fees are computed shall be deemed adverse changes that are material to the Group Companies);

(xvii) enter into any Contract that would reasonably be expected to limit or restrict in any material respect the Group Companies from (A) engaging or competing in any line of business, in any location or with any Person, (B) incurring any Indebtedness or (C) declaring or paying any dividends;

(xviii) settle or compromise any Action other than settlements or compromises where (A) the amount paid in settlement or compromise does not exceed $500,000 in any matter or $2,000,000 in the aggregate for all matters and (B) such settlement or compromise only involves monetary relief;

(xix) make or change any Tax election, change an annual accounting period, adopt or change any accounting method with respect to Taxes, file any amended Tax Return, enter into any closing agreement, settle or compromise any proceeding with respect to any Tax claim or assessment relating to any Group Company, surrender any right to claim a refund of Taxes, or consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to any Group Company;

(xx) enter into, amend or terminate any collective bargaining agreement (except as required by applicable Law);

(xxi) adopt a plan of complete or partial liquidation or dissolution; or

(xxii) enter into any agreement to take, or cause to be taken, any of the actions set forth in this Section 6.1.

Prior to the Closing, nothing contained in this Agreement shall give Buyer, directly or indirectly, the right to control or direct the Companies' or any of their Subsidiaries' business or operations, and nothing contained in this Agreement shall give the Companies, directly or indirectly, the right to control or direct Buyer's or its Subsidiaries' business or operations.

Section 6.2 Access to Information.

(a) From and after the date hereof until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, upon reasonable notice, and subject to restrictions contained in the confidentiality agreements to which the Group Companies are subject, the Companies shall (i) provide to Buyer and its authorized representatives during normal business hours reasonable access to all offices, properties, Contracts, books and records of the Group Companies (ii) furnish to Buyer and its authorized representatives such information relating to the Group Companies as may be reasonably requested; and (iii) instruct the employees, counsel, accountants and other advisors of the Group Companies to cooperate with Buyer in its investigation of the Group Companies and the Business (each, in a manner so as to not interfere unreasonably with the normal business operations of any Group Company). All of such information shall be treated as confidential information pursuant to the terms of the

Confidentiality Agreement, the provisions of which are by this reference hereby incorporated herein. Notwithstanding the foregoing or anything to the contrary herein, no investigation of Seller or any Group Company or the Business shall affect any representation or warranty given by any of Seller or any Company hereunder, in the Seller Disclosure Schedule or in any Ancillary Document delivered in accordance herewith, or otherwise limit or affect the remedies available under this Agreement to Buyer.

(b) In addition, from and after the date hereof until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, the Companies shall provide as soon as reasonably practicable after they become available, but in no event more than thirty (30) days after the end of the calendar month ending immediately prior to, and each calendar month ending after, the date of this Agreement, the unaudited consolidated balance sheet of Atlantic Broadband Finance, LLC and the related unaudited consolidated statements of income and cash flows as of and for such month.

Section 6.3 Efforts to Consummate.

(a) Subject to the terms and conditions herein provided, each of Seller, Buyer and the Companies shall use reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things reasonably necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement (including the satisfaction, but not waiver, of the closing conditions set forth in ARTICLE 7). Each of Seller, Buyer and the Companies shall use reasonable best efforts to obtain Consents of all Governmental Entities necessary to consummate the transactions contemplated by this Agreement. All costs incurred in connection with obtaining such consents, including the HSR Act filing fee, shall be borne by Buyer. Each Party shall make an appropriate filing, if necessary, pursuant to the HSR Act with respect to the transactions contemplated by this Agreement promptly (and in any event, within fifteen (15) Business Days) after the date of this Agreement and shall supply as promptly as practicable to the appropriate Governmental Entities any additional information and documentary material that may be requested pursuant to the HSR Act. In addition, each Party shall make an appropriate filing, if necessary, pursuant to (i) the Communications Act and the FCC Rules and (ii) any LFA concerning a Franchise with respect to the transactions contemplated by this Agreement as promptly as practical after the date hereof (and in any event, within fifteen (15) Business Days) after the date of this Agreement. Without limiting the foregoing, (i) the Companies, Seller, Buyer and their respective Affiliates shall not extend any waiting period or comparable period under the HSR Act or enter into any agreement with any Governmental Entity not to consummate the transactions contemplated hereby, except with the prior written consent of the other Parties, and (ii) Buyer agrees to take all actions that are necessary or reasonably advisable or as may be required by any Governmental Entity pursuant to the HSR Act, the Communications Act and the FCC Rules to expeditiously consummate the transactions contemplated by this Agreement, including (A) selling, licensing or otherwise disposing of, or holding separate and agreeing to sell, license or otherwise dispose of, any entities, assets or facilities of any Group Company or Buyer after the Closing, (B) terminating, amending or assigning existing relationships and contractual rights and obligations (other than terminations that would result in a breach of a contractual obligation to a third party) and (C) amending, assigning or terminating existing licenses or other agreements (other than terminations that would result in a breach of a license or such other agreement with a third party) and entering into such new licenses or other agreements.

(b) In the event any Action or other proceeding by any Governmental Entity or other Person is commenced which questions the validity or legality of the transactions contemplated hereby or seeks damages in connection therewith, the Parties agree to cooperate and use reasonable best efforts to defend against such Action or other proceeding and, if an Order is issued in any such Action or other proceeding, to use commercially reasonable efforts to have such Order lifted, and to cooperate reasonably regarding any other impediment to the consummation of the transactions contemplated hereby.

(c) In the event that a Governmental Entity issues a request for additional information or documentary material pursuant to the HSR Act (the "Second Request") in connection with the transactions contemplated by this Agreement, then each of Seller, Buyer and the Companies shall make (or cause to be made), as soon as reasonably practicable and after consultation with the other, an appropriate response in compliance with the Second Request in order to obtain expiration or termination of the applicable waiting period before the Termination Date. For the avoidance of doubt, whether or not the transactions contemplated herein are consummated, Buyer shall pay all out-of-pocket fees and expenses related to the Companies' response to a Second Request (including, legal fees and expenses, and fees and expenses associated with any consultants, accountants, economists, document production vendors, or other professionals hired to help the Companies respond to the Second Request), provided, that the obligation of Buyer to pay such fees and expenses related to actions taken by the Companies shall be conditioned upon Buyer not providing written reasonable objections prior to the Companies incurring such fees and expenses upon reasonable prior written notice to Buyer. Buyer shall either pay such costs and expenses directly or reimburse the Companies, as applicable, within thirty (30) days after receipt of an invoice (with reasonable supporting documentation) for the same.

(d) Buyer shall not, and shall cause their respective Affiliates and ultimate parent entities and their Subsidiaries not to, acquire or agree to acquire, by merging with or into or consolidating with, or by purchasing a portion of the assets of or equity in, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets or equity interests, if the entering into of a definitive agreement relating to, or the consummation of such acquisition, merger or consolidation would reasonably be expected to: (i) impose any material delay in the obtaining of, or materially increase the risk of not obtaining, any consents of any Governmental Entity necessary to consummate the transactions contemplated by this Agreement or the expiration or termination of any applicable waiting period; (ii) materially increase the risk of any Governmental Entity seeking or entering an order prohibiting the consummation of the transactions contemplated by this Agreement; (iii) materially increase the risk of not being able to remove any such order on appeal or otherwise; or (iv) materially delay or prevent the consummation of the transactions contemplated by this Agreement.

Section 6.4 Public Announcements. Buyer, on the one hand, and Seller, on the other hand, shall consult with one another and seek one another's written approval (which approval shall not be unreasonably withheld, conditioned or delayed) before issuing any press release, or otherwise making any public statements, with respect to the transactions contemplated by this Agreement, and shall not, and shall cause their Affiliates not to, issue any such press release or make any such public statement prior to such consultation and approval; provided that each Party may make any such announcement which it in good faith believes, based on advice of counsel, is necessary or advisable in connection with any requirement of Applicable Law (including the listing rules of any applicable securities exchange), it being understood and agreed that each Party shall provide the other Parties with copies of any such announcement in advance of such issuance; provided, further, that each Party may make internal announcements to their respective employees that are not inconsistent in any material respects with the Parties' prior public disclosures regarding the transactions contemplated by this Agreement. Notwithstanding anything to the contrary in this Agreement or the Confidentiality Agreement, in no event shall either this Section 6.4 or any provision of the Confidentiality Agreement limit any customary disclosure by Seller or any of its Affiliates to any direct or indirect investors in any such Person, as applicable, or any customary disclosure in connection with normal fund raising and related marketing or informational or reporting activities of Seller or any such Affiliate.

Section 6.5 Indemnification; Directors' and Officers' Insurance.

(a) Buyer agrees that all rights to indemnification or exculpation now existing in favor of the directors and officers of each Group Company, as provided in such Group Company's Governing Documents or otherwise in effect as of the date hereof with respect to any matters occurring prior to the Closing Date, shall survive the transactions contemplated by this Agreement and shall continue in full force and effect and that the Group Companies, on their own or on Seller's behalf, will perform and discharge Seller's and the Group Companies' obligations to provide such indemnity and exculpation. To the maximum extent permitted by applicable law and provided in such Group Companies' Governing Documents, such indemnification shall be mandatory rather than permissive, and the Companies shall advance expenses in connection with such indemnification as provided in Seller's or such Group Company's Governing Documents, subject to such officer and director reimbursing the Companies for such expenses to the extent they have breached their duty of loyalty or other applicable exceptions or limitations. The indemnification and liability limitation or exculpation provisions of the Group Companies' Governing Documents shall not be amended, repealed or otherwise modified after the Closing Date in any manner that would adversely affect the rights thereunder of individuals who, as of the Closing Date or at any time prior to the Closing Date, were directors or officers of Seller or any Group Company, unless such modification is required by applicable Law.

(b) Contemporaneously with the Closing, Buyer shall cause the Companies to, and the Companies shall, purchase and maintain in effect, without any lapses in coverage, a "tail" policy providing directors' and officers' liability insurance ("D&O Insurance") coverage for the benefit of those Persons who are covered by any Group Company's D&O Insurance policies as of the date hereof or at the Closing, for a period of six (6) years following the Closing Date with respect to matters occurring prior to the Closing that is at least as favorable in the aggregate with terms, conditions, retentions and limits of liability to the coverage provided under the Group Companies' current D&O Insurance policies; provided, however, that the Companies shall not be required to pay an annual premium for such D&O Insurance in excess of 300% of the Group Companies' current annual premium for D&O Insurance; provided further that if the annual premium exceeds such amount, then Buyer shall obtain, or shall cause the Companies to obtain D&O Insurance with the greatest coverage available for a cost not exceeding such amount.

(c) The directors, officers, employees and agents of each Group Company entitled to the indemnification, liability limitation, exculpation and insurance set forth in this Section 6.5 are intended to be third party beneficiaries of this Section 6.5. This Section 6.5 shall survive the consummation of the transactions contemplated by this Agreement and shall be binding on all successors and assigns of Buyer and the Group Companies.

(d) If Buyer, the Group Companies or any of their successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, to the extent necessary, proper provision shall be made so that the successors and assigns of Buyer or the Group Companies shall assume the obligations set forth in this Section 6.5.

Section 6.6 Exclusive Dealing. During the period from the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, Seller shall not take, nor shall it permit any Group Company or their respective officers, directors, employees, representatives, consultants, financial advisors, attorneys, accountants or other agents to take, any action to solicit, encourage, initiate or engage in discussions or negotiations with, or provide any information to or enter into any agreement with any Person (other than Buyer and/or its respective Affiliates) concerning any purchase of any of the Companies' equity securities or any merger, sale of substantial assets or similar transaction involving any Group Company, other than as expressly permitted by Section 6.1 (each such acquisition transaction, an "Acquisition Transaction"); provided, however, that Buyer hereby acknowledges that prior to the date of this Agreement, the Seller has provided information relating to the Group Companies and has afforded access to, and engaged in discussions with, other Persons in connection with a proposed Acquisition Transaction and that such information, access and discussions could reasonably enable another Person to form a basis for an Acquisition Transaction without any breach by the Companies of this Section 6.6. Notwithstanding the foregoing, Seller may respond to any unsolicited proposal regarding an Acquisition Transaction by indicating that Seller is subject to an exclusivity agreement and is unable to provide any information related to the Group Companies or entertain any proposals or offers or engage in any negotiations or discussions concerning an Acquisition Transaction for as long as that this Agreement remains in effect.

Section 6.7 Documents and Information. After the Closing Date, Buyer and the Group Companies shall, until the sixth (6th) anniversary of the Closing Date, retain all books, records and other documents pertaining to the business of the Group Companies in existence on the Closing Date and make the same available for inspection and copying by Seller (at Seller's expense) during normal business hours of the Company or any of its Subsidiaries, as applicable, upon reasonable request and upon reasonable notice to the extent reasonably necessary for financial reporting and accounting matters, the preparation and filing of any returns, reports or forms or the defense of any claim or assessment. Buyer may destroy such books, records or documents after the sixth (6th) anniversary of the Closing Date, unless Seller gives at least 90 days written notice prior to the end of such six-year period to Buyer and details the contents of the records to be preserved. Seller shall be obligated take possession of the records at its own expense within 90 days of the date of such notice to Buyer.

Section 6.8 Contact with Customers, Suppliers and Other Business Relations. During the period from the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, Buyer hereby agrees that it is not authorized to and shall not (and shall not permit any of its employees, agents, representatives or Affiliates to) contact any employee (excluding executive officers), customer, supplier, distributor or other material business relation of any Group Company regarding any Group Company, its business or the transactions contemplated by this Agreement without the prior consent of the Companies.

Section 6.9 Employee Benefit Matters. During the period beginning on the Closing Date and ending on the first (1^{st}) anniversary of the Closing Date, Buyer shall provide employees of each Group Company who continue to be employed by a Group Company with the same salary or hourly wage rate as provided to such employees immediately prior to the Closing Date and with employee benefits (excluding equity arrangements) that are substantially similar in the aggregate to the Employee Benefit Plans maintained by Seller and the Group Companies as of the date of this Agreement. Buyer further agrees that, from and after the Closing Date, Buyer shall and shall use commercially reasonable efforts to cause each Group Company to grant all of its employees credit for any service with such Group Company earned prior to the Closing Date to the same extent such service was credited under a comparable Employee Benefit Plan (i) for eligibility and vesting purposes and (ii) for purposes of vacation accrual and severance benefit determinations under any benefit or compensation plan, program, agreement or arrangement that may be established or maintained by Buyer or the Company or any of its Subsidiaries on or after the Closing Date (the "New Plans"), except where such credit would result in a duplication of benefits. In addition, Buyer shall use commercially reasonable efforts to (A) cause to be waived all pre-existing condition exclusions and actively-at-work requirements and similar limitations, eligibility waiting periods and evidence of insurability requirements under any New Plans to the extent waived or satisfied by an employee under any Employee Benefit Plan as of the Closing Date and (B) cause any deductible, co-insurance and covered out-of-pocket expenses paid on or before the Closing Date by any employee (or covered dependent thereof) of any Group Company to be taken into account for purposes of satisfying the corresponding deductible, coinsurance and maximum out-of-pocket provisions after the Closing Date under any applicable New Plan in the year of initial participation. Nothing contained herein, express or implied, (i) is intended to confer upon any employee of any Group Company any right to continued employment for any period or continued receipt of any specific employee benefit, (ii) shall constitute an amendment to or any other modification of any New Plan or Employee Benefit Plan or (iii) is intended to confer on any Person any rights as a third party beneficiary of this Agreement. Buyer agrees that Buyer shall be solely responsible for satisfying the continuation coverage requirements of Section 4980B of the Code for all individuals who are "M&A qualified beneficiaries" as such term is defined in Treasury Regulation Section 54.4980B-9.

Section 6.10 Termination of Affiliate Agreements. On or prior to the Closing Date, except for the Transition Services Agreement and those Contracts set forth on Section 3.21 of the Seller Disclosure Schedule, all Affiliate Contracts shall be terminated in full, without any consideration or any further liability to any Group Company. In addition, each of Seller and the

Group Companies shall, and shall cause their respective Affiliates to, take all necessary actions to cause all intercompany accounts between Seller or any of its Affiliates (other than the Group Companies), on the one hand, and the Group Companies, on the other hand, to be settled in full as of or prior to the Closing, and, to the extent requested by Buyer, shall provide Buyer with supporting documentation to verify in reasonable detail the underlying intercompany charges and transactions.

Section 6.11 Tax Matters.

(a) For any Pre-Closing Tax Period of any Group Company, Seller shall timely prepare or cause to be prepared, and file or cause to be filed (in a manner consistent with past practices, to the extent permitted under applicable Law) with the appropriate taxing authorities any Tax Return required to be filed with respect to which Seller could have an indemnification obligation pursuant to ARTICLE 9 for any Tax relating thereto; provided, however, that Seller shall permit Buyer to review and comment on each such Tax Return and no such Tax Return shall be filed without the prior written consent of Buyer, not to be unreasonably withheld.

(b) For any Straddle Period of any Group Company, Buyer shall timely prepare or cause to be prepared, and file or cause to be filed (in a manner consistent with past practices, to the extent permitted under applicable Law) with the appropriate taxing authorities all Tax Returns required to be filed; provided, however, that Buyer shall permit Seller to review and comment on each such Tax Return and no such Tax Return shall be filed without the prior written consent of Seller, not to be unreasonably withheld.

(c) In the case of any Straddle Period: (i) real, personal and intangible property and telecommunications Taxes (and similar ad valorem Taxes) of the Group Companies for the Pre-Closing Tax Period shall equal the amount of such Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days during the Straddle Period that are in the Pre-Closing Tax Period and the denominator of which is the number of days in the Straddle Period; and (ii) all other Taxes of the Group Companies for the Pre-Closing Tax Period shall be computed as if such taxable period ended as of the close of business on the Closing Date.

(d) Notwithstanding any provision of this Agreement to the contrary, all Transfer Taxes incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by Buyer. Buyer and Seller shall cooperate in timely preparing and filing all Tax Returns required to be filed in respect of such Transfer Taxes.

(e) The covenants and obligations of the parties set forth in this Section 6.11 shall survive the Closing to and until the date that is 30 days after the expiration of the applicable statute of limitations.

Section 6.12 [RESERVED].

Section 6.13 [RESERVED]

Section 6.14 Financing Cooperation.

(a) Subject to the terms and conditions of this Agreement, Buyer shall, and shall cause each of its Affiliates to, use its reasonable best efforts to obtain the Debt Financing on the terms and conditions described in the Debt Financing Commitment (including the flex provisions), including using its reasonable best efforts to (i) comply with its obligations under the Debt Financing Commitment, (ii) maintain in effect the Debt Financing Commitment, (iii) negotiate and enter into definitive agreements with respect to the Debt Financing Commitment on terms and conditions (including the flex provisions) contained therein or otherwise not materially less favorable to the Buyer in the aggregate than those contained in the Debt Financing Commitment, (iv) satisfy at or prior to Closing all conditions applicable to Buyer and its Affiliates contained in the Debt Financing Commitment (or any definitive agreements related thereto) within their control, including the payment of any commitment, engagement or placement fees required as a condition to the Debt Financing and (v) upon satisfaction of such conditions, and the conditions set forth in Section 7.1 and Section 7.2 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions), consummate the applicable Debt Financing at or prior to the Closing Date (it being understood that it is not a condition to Closing under this Agreement for Buyer to obtain the Debt Financing or any Alternative Debt Financing); provided that, notwithstanding anything to the contrary herein, in no circumstance shall Buyer or any of its Affiliates be required to commence litigation or bring any other Action against the Persons providing the Debt Financing to seek to enforce Buyer's or any of its Affiliates' rights under the Debt Financing Commitment or otherwise. Notwithstanding anything contained in this Section 6.14 or in any other provision of this Agreement, in no event shall Buyer be required (i) to amend or waive any of the terms or conditions hereof or (ii) to consummate the Closing any earlier than the final day of the Marketing Period. Buyer shall keep Seller and the Companies informed on a reasonable basis and in reasonable detail of the status of its efforts to arrange the Debt Financing (including providing Seller and the Companies with copies of all definitive agreements and other documents related to the Debt Financing). Buyer shall give Seller and the Companies prompt notice upon having actual knowledge of any breach by any party of any of the Debt Financing Commitment or any termination of the Debt Financing Commitment. Other than as set forth in Section 6.14(b), Buyer shall not, without the prior written consent of the Seller (such consent not to be unreasonably withheld), amend, modify, supplement or waive any of the conditions or contingencies to funding contained in the Debt Financing Commitment (or any definitive agreements related thereto) or the Buyer Credit Agreement or any other provision of, or remedies under, the Debt Financing Commitment (or any definitive agreements related thereto) or the Buyer Credit Agreement, in each case to the extent such amendment, modification, supplement or waiver would reasonably be expected to have the effect of (A) adversely affecting in any material respect the ability of Buyer to timely consummate the transactions contemplated by this Agreement, (B) amending, modifying, supplementing or waiving the conditions or contingencies to the Debt Financing in a manner materially adverse to the Companies or Seller or (B) materially delaying the Closing. In the event all conditions applicable to the Debt Financing Commitment have been satisfied and all of the conditions set forth in Section 7.1 and Section 7.2 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions) have been satisfied (or waived), Buyer shall use its reasonable best efforts to cause the Lenders to fund the Debt Financing required to consummate the transactions contemplated by this Agreement.

(b) If all or any portion of the Debt Financing becomes unavailable on the terms and conditions of the Debt Financing Commitment (including the flex provisions), Buyer and its Affiliates shall use their reasonable best efforts to (i) arrange to promptly obtain the Debt Financing or such portion of the Debt Financing from alternative sources, which may include one or more of a senior secured debt financing, an offering and sale of notes, or any other financing or offer and sale of other debt securities, or any combination thereof, in an amount sufficient, when added to any portion of the Debt Financing that is available, to pay in cash all amounts required to be paid by Buyer in connection with the transactions contemplated by this Agreement ("Alternative Debt Financing") and (ii) obtain a new financing commitment letter (the "Alternative Debt Commitment Letter") and a new definitive agreement with respect thereto that provides for financing (A) on terms not materially less favorable, in the aggregate, to Buyer (as determined in the reasonable judgment of Buyer), (B) containing conditions to draw and other terms that would reasonably be expected to affect the availability thereof that (1) are not more onerous, taken as a whole, than those conditions and terms contained in the Debt Financing Commitments as of the date hereof (as determined in the reasonable judgment of Buyer) and (2) would not reasonably be expected to materially delay the Closing and (C) in an amount that is sufficient, when added to any portion of the Debt Financing that is available as well as any freely available cash on Buyer's balance sheet and other existing lines of credit, to pay in cash all amounts required to be paid by Buyer in connection with the transactions contemplated by this Agreement. In such event, the term "Debt Financing" as used in this Agreement shall be deemed to include any Alternative Debt Financing, and the term "Debt Financing Commitments" as used in this Agreement shall be deemed to include any Alternative Debt Commitment Letter.

(c) Prior to the Closing, the Companies shall, and shall cause their Subsidiaries to, use commercially reasonable efforts to provide all reasonable cooperation with the arrangement of the Debt Financing as may be reasonably requested by Buyer and that is customary in connection with Buyer's efforts to obtain the Debt Financing (provided, that such requested cooperation does not unreasonably interfere with the ongoing operations of the Companies and their Subsidiaries), including using commercially reasonable efforts to: (i) participate in meetings (including customary one-on-one meetings with the parties acting as lead arrangers or agents of, and prospective lenders for, the Debt Financing and senior management, with appropriate seniority and expertise, of the Companies), drafting sessions, rating agency presentations and due diligence sessions in connection with the Debt Financing; (ii) take all corporate actions, subject to the occurrence of the Closing, reasonably requested by Buyer to permit the consummation of the Debt Financing and to permit the proceeds thereof to be made available at the Closing; (iii) promptly furnish Buyer and Lenders with pertinent information regarding the Companies and their Subsidiaries to the extent reasonably requested by Buyer to prepare the confidential information memorandum and the lender presentation contemplated by the Debt Financing Commitment; (iv) execute and deliver any pledge and security documents, and otherwise reasonably facilitate the granting of a security interest (and perfection thereof) in collateral, guarantees, mortgages, other definitive financing documents or other certificates, and documents as may be reasonably requested by Buyer (including a certificate of the chief financial officer of any Subsidiary with respect to solvency matters); (v) provide authorization letters to the Debt Financing sources authorizing the distribution of information to prospective lenders and containing a customary representation to the arranger of the Debt Financing that the information contained in the confidential information memorandum contemplated by the Debt Financing Commitment does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; (vi) cooperate reasonably with Buyer's Debt Financing sources' due diligence to the extent not unreasonably interfering with the business of the Companies or their Subsidiaries; (vii) assist in the preparation of and entering into one or more credit agreements or other agreements on the terms contemplated by the Debt Financing Commitment, and currency or interest hedging agreements as reasonably requested by Buyer; and (viii) assist Buyer and its Lenders in the preparation of (A) a customary offering document, private placement memorandum and/or bank information memorandum for the Debt Financing and (B) materials for rating agency presentations; provided, that neither Seller, the Companies or any of their Subsidiaries shall be required to pay any commitment or other similar fee or incur any other liability in connection with the Debt Financing; and provided, further, that the effectiveness of any documentation executed by the Companies or any of their Subsidiaries with respect thereto shall be subject to the consummation of the Closing. Any non-public or other confidential information provided to Buyer pursuant to this Section 6.14(c) shall be subject to the Confidentiality Agreement, except that Buyer shall be permitted to disclose such information to rating agencies and prospective lenders during syndication of the Debt Financing subject to the prospective lenders entering into customary confidentiality undertakings with respect to such information, with the Group Companies being the beneficiary of such confidentiality undertakings. The Companies hereby consent to the use of its and its Subsidiaries' logos in connection with the Debt Financing; provided that such logos are used solely in a manner that is not intended to or reasonably likely to harm or disparage the Group Companies or the reputation or goodwill of the Group Companies. Buyer acknowledges and agrees that, except in the case of fraud or willful misrepresentation, neither Seller nor the Companies or any of their respective Affiliates or any of their respective directors, officers, employees, representatives and advisors (including legal, financial and accounting advisors) shall have any responsibility for, or incur any liability to any person under or in connection with, the arrangement of the Debt Financing in connection with the transactions contemplated by this Agreement, and that Buyer shall indemnify and hold harmless Seller, the Companies and their respective Affiliates and directors, officers, employees, representatives and advisors (including legal, financial and accounting advisors) from and against any and all Damages suffered or incurred by them in connection with the arrangement of the Debt Financing and any information utilized in connection therewith (other than arising from (x) gross negligence, willful misconduct, bad faith, fraud or intentional misrepresentation or from misstatements or omissions in written materials provided, (y) material breach of the obligations under this Section 6.14(c) or (z) information provided by the Companies or their Subsidiaries expressly for use in connection therewith). Buyer shall, and shall cause its Affiliates to, reimburse the Companies for all reasonable and documented out-of-pocket costs or expenses to the extent incurred by the Companies in connection with cooperation provided for in this Section 6.14(c).

ARTICLE 7

CONDITIONS TO CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT

Section 7.1 Conditions to the Obligations of the Companies, Buyer and Seller. The obligations of the Companies, Buyer and Seller to consummate the transactions contemplated by this Agreement are subject to the satisfaction (or, if permitted by applicable Law, waiver by the Party for whose benefit such condition exists) of the following conditions:

(a) the FCC shall have provided all FCC Approvals as set forth on Section 7.1(a) of the Seller Disclosure Schedule;

(b) the sum of (i) the aggregate number of EBUs for Franchises with respect to which LFA Approvals have been obtained or have been deemed to have been obtained under §617 of the Communications Act plus (ii) the number of EBUs accounted for by Franchises with respect to which an LFA Approval is not required (including the unwritten Franchises listed on Section 3.7(a) of the Seller Disclosure Schedule) shall equal at least eighty five percent (85%) of the EBUs attributable to all Systems of the Group Companies as of June 30, 2012, as set forth on Section 3.22(a) of the Seller Disclosure Schedule;

(c) any applicable waiting period under the HSR Act relating to the transactions contemplated by this Agreement shall have expired or been terminated; and

(d) no Law, temporary restraining order, preliminary or permanent injunction or other Order issued by any court of competent jurisdiction or other Governmental Entity or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement shall be in effect; provided, however, that each of Buyer, Seller and the Group Companies shall have used commercially reasonable efforts to prevent the entry of any such injunction and to appeal as promptly as possible any injunction or other Order that may be entered.

Section 7.2 Other Conditions to the Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the satisfaction or, if permitted by applicable Law, waiver by Buyer of the following further conditions:

(a) (i) the Seller Fundamental Representations and the representations set forth in Section 3.10(a)(i) shall be true and correct in all respects on the date hereof and as of the Closing Date as though made on and as of the Closing Date and (ii) the other representations and warranties of the Companies set forth in ARTICLE 3 and Seller set forth in ARTICLE 4 shall be true and correct (without giving effect to any materiality or Material Adverse Effect qualification therein) on the date hereof and as of the Closing Date as though made on and as of the Closing Date, except (X) to the extent such other representations and warranties are made on and as of a specified date, in which case the same shall continue on the Closing Date to be true and correct as of the specified date and (Y) to the extent that the facts, events and circumstances that cause such other representations to not be true and correct as of such dates have not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

(b) Seller and the Companies shall have performed and complied in all material respects with all covenants required to be performed or complied with by Seller and the Companies under this Agreement on or prior to the Closing Date;

(c) prior to or at the Closing, the Companies shall have delivered the following closing documents in form and substance reasonably acceptable to Buyer:

(i) a certificate of an authorized officer of each of Seller and the Companies, dated as of the Closing Date, to the effect that the conditions specified in Section 7.2(a) and Section 7.2(b) have been satisfied by each of Seller and the Companies;

(ii) a certified copy of the resolutions of each Company's board of directors authorizing the execution and delivery of the Agreement and the Ancillary Documents to be executed by each Company and the consummation of the transactions contemplated hereby;

(iii) written resignations of each of the directors of each Company and, to the extent requested by Buyer, each of the directors or managers of any other Group Company;

(iv) a certificate from Seller, in form and substance as prescribed by Treasury Regulations promulgated under Code section 1445, stating that Seller is not a "foreign person" within the meaning of Code section 897 and Treasury Regulations section 1.1445-2(b);

(d) prior to or at the Closing, Seller shall have delivered the items contemplated by Section 2.3(a);

(e) the conditions set forth on Section 7.2(e) of the Seller Disclosure Schedule have been satisfied; and

(f) since the date hereof, there shall not have occurred any Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

Section 7.3 Other Conditions to the Obligations of the Companies and Seller. The obligations of the Companies and Seller to consummate the transactions contemplated by this Agreement are subject to the satisfaction or, if permitted by applicable Law, waiver by the Companies and Seller of the following further conditions:

(a) The representations and warranties of Buyer set forth in ARTICLE 5 hereof shall be true and correct in all material respects as of the Closing Date as though made on and as of the Closing Date, except to the extent such representations and warranties are made on and as of a specified date, in which case the same shall continue on the Closing Date to be true and correct in all material respects as of the specified date;

(b) Buyer shall have performed and complied in all material respects with all covenants required to be performed or complied with by it under this Agreement on or prior to the Closing Date;

(c) prior to or at the Closing, Buyer shall have delivered the following closing documents in form and substance reasonably acceptable to the Companies:

(i) a certificate of an authorized officer of Buyer, dated as of the Closing Date, to the effect that the conditions specified in Section 7.3(a) and Section 7.3(b) have been satisfied;

(ii) a certified copy of the resolutions of Buyer's board of directors (or other governing body) authorizing the execution and delivery of the Agreement and the consummation of the transactions contemplated hereby; and

(d) prior to or at the Closing, Buyer shall have taken the actions, and delivered the items, contemplated by Section 2.3(b).

Section 7.4 Frustration of Closing Conditions. No Party may rely on the failure of any condition set forth in this ARTICLE 7 to be satisfied if such failure was caused by such Party's failure to use commercially reasonable efforts to cause the Closing to occur, as required by Section 6.3.

ARTICLE 8

TERMINATION; AMENDMENT; WAIVER

Section 8.1 Termination. This Agreement may be terminated and the transactions contemplated by this Agreement may be abandoned at any time prior to the Closing:

(a) by mutual written consent of Buyer and Seller;

(b) by Buyer, if any of the representations or warranties of the Companies set forth in ARTICLE 3 or Seller set forth in ARTICLE 4 shall not be true and correct or if the Companies or Seller has failed to perform any covenant or agreement on the part of Seller or the Companies set forth in this Agreement (including an obligation to consummate the Closing) such that any condition to Closing set forth in either Section 7.2(a) or Section 7.2(b) would not be satisfied and the breach or breaches causing such representations or warranties not to be true and correct, or the failures to perform any covenant or agreement, as applicable, are not cured within twenty (20) days after written notice thereof is delivered to Seller; provided that Buyer is not then in breach of this Agreement so as to prevent the condition to Closing set forth in either Section 7.3(a) or Section 7.3(b) from being satisfied;

(c) by Seller, if any of the representations or warranties of Buyer set forth in ARTICLE 5 shall not be true and correct or if Buyer has failed to perform any covenant or agreement on the part of Buyer set forth in this Agreement (including an obligation to consummate the Closing) such that the condition to Closing set forth in either Section 7.3(a) or Section 7.3(b) would not be satisfied and the breach or breaches causing such representations or warranties not to be true and correct, or the failures to perform any covenant or agreement, as applicable, are not cured within twenty (20) days after written notice thereof is delivered to Buyer; provided that neither Seller nor any Group Company is then in breach of this Agreement so as to prevent the condition to Closing set forth in Section 7.2(a) or Section 7.2(b) from being satisfied;

(d) by either Party, if the transactions contemplated by this Agreement shall not have been consummated on or prior to December 28, 2012 (the "Termination Date"); provided, however, that the right to terminate this Agreement pursuant to this Section 8.1(d) shall not be available to a Party if such Party's breach of any of its obligation under this Agreement in any manner shall have proximately caused the failure to consummate the transactions contemplated by this Agreement on or before the Termination Date; or

(e) by any Party, if any Governmental Entity shall have issued an Order or taken any other action permanently enjoining, restraining or otherwise prohibiting the transactions contemplated by this Agreement and such Order or other action shall have become final and nonappealable; provided that the Party seeking to terminate this Agreement pursuant to this Section 8.1(e) shall have used reasonable best efforts to remove such Order.

Section 8.2 Effect of Termination. In the event of the termination of this Agreement pursuant to Section 8.1, this entire Agreement shall forthwith become void (and there shall be no liability or obligation on the part of Buyer, Seller or the Companies or their respective officers, directors or equityholders) with the exception of (i) the provisions of this Section 8.2, Section 6.4, Section 6.14(c), ARTICLE 9, ARTICLE 10, each of which provisions shall survive such termination and remain valid and binding obligations of the Parties, (ii) any liability of the Parties for any willful breach of or willful failure to perform any of its obligations under this Agreement prior to such termination (including any willful failure by any Party to consummate the transactions contemplated by this Agreement if it is obligated to do so hereunder, as applicable) and (iii) any liability for any willful breach by a Party of any of its representations and warranties set forth in this Agreement. For purposes of this Section 8.2, "willful" shall mean a breach that is a consequence of an act undertaken by the breaching party with the knowledge that the taking of such act would, or would be reasonably expected to, cause a breach of this Agreement.

Section 8.3 Amendment. This Agreement may be amended or modified only by a written agreement executed and delivered by duly authorized officers of Buyer, Seller, and the Companies. This Agreement may not be modified or amended except as provided in the immediately preceding sentence and any purported amendment by any Party or Parties effected in a manner which does not comply with this Section 8.3 shall be void.

Section 8.4 Extension; Waiver. Subject to Section 8.1(d), at any time prior to the Closing, Seller (on behalf of itself and the Companies) may (a) extend the time for the performance of any of the obligations or other acts of Buyer contained herein, (b) waive any inaccuracies in the representations and warranties of Buyer contained herein or in any document, certificate or writing delivered by Buyer pursuant hereto or (c) waive compliance by Buyer with any of the agreements or conditions contained herein. Subject to Section 8.1(e), at any time prior to the Closing, Buyer may (i) extend the time for the performance of any of the obligations or other acts of the Companies or Seller contained herein, (ii) waive any inaccuracies in the representations and warranties of the Companies and Seller contained herein or in any document, certificate or writing delivered by the Companies or Seller pursuant hereto or (iii) waive compliance by the Companies and Seller with any of the agreements or conditions contained herein. Any agreement on the part of any Party to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such Party. The failure of any Party to assert any of its rights hereunder shall not constitute a waiver of such rights.

ARTICLE 9
INDEMNIFICATION

Section 9.1 Indemnification by Seller.

(a) From and after the Closing Date, subject to the other provisions of this ARTICLE 9, Seller agrees to indemnify Buyer and its Affiliates and its and their officers, directors, managers, employees, agents and representatives (collectively, the "Indemnified Buyer Persons") and to hold each of them harmless from and against, any and all Actions, liabilities, losses, Taxes, costs, damages, expenses or penalties, and reasonable attorneys' fees, expenses and disbursements in connection with any Action against such Person (whether or not arising out of or resulting from any Third Party Claim) (collectively, "Damages"), in each case to the extent suffered, paid or incurred by such Indemnified Buyer Person and to the extent resulting from or caused by: (i) any breach or inaccuracy of any of the representations and warranties made by Seller to Buyer in ARTICLE 4 as of the date hereof or as of the Closing Date or in any certificate delivered by Seller pursuant to Section 7.2(c)(i); (ii) any breach or inaccuracy of any of the representations and warranties made by the Companies to Buyer in ARTICLE 3 as of the date hereof or as of the Closing Date or in any certificate delivered by the Companies pursuant to Section 7.2(c)(i); (iii) any breach by Seller of any covenant or agreement of Seller contained in this Agreement to be performed by Seller prior to the Closing; (iv) any breach by the Companies of any covenant or agreement contained in this Agreement to be performed by the Companies prior to the Closing; and (v) any Taxes of any Group Company for any Pre-Closing Tax Period, to the extent such Taxes are in excess of the amount, if any, reserved for such Taxes (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) on the face of the Closing Statement (rather than in any notes thereon); provided that for purposes of this ARTICLE 9, if any representation or warranty is qualified by materiality or "Material Adverse Effect" or a derivative thereof (except in the case of the reference to Material Adverse Effect in Section 3.10), such qualification will, for purposes of determining whether such representation or warranty has been breached or is inaccurate and in calculating the amount of Damages with respect to such breach or inaccuracy, be ignored and deemed not included in such representation or warranty.

(b) Notwithstanding anything to the contrary contained in Section 9.1(a), the rights of the Indemnified Buyer Persons to indemnification pursuant to Section 9.1(a) shall be subject to the following limitations: (i) the Indemnified Buyer Persons shall not be entitled to recover Damages pursuant to Section 9.1(a)(i), Section 9.1(a)(ii) (other than for claims for breach of the Seller Fundamental Representations or Section 3.10(c)), Section 9.1(a)(iii) or Section 9.1(a)(iv) for any claim or series of related claims unless such claim or series of related claims exceed the De Minimis Amount (and no claim or series of related claims that do not exceed the De Minimis Amount shall be taken into account in determining whether the Deductible has been met or exceeded), (ii) the Indemnified Buyer Persons shall not be entitled to recover Damages pursuant to Section 9.1(a)(i), Section 9.1(a)(ii) (other than for claims for breach of the Seller Fundamental Representations or Section 3.10(c)), Section 9.1(a)(iii) or Section 9.1(a)(iv) unless such Damages exceed in the aggregate the Deductible, whereupon Seller shall be obligated to pay in full all such amounts but only to the extent such aggregate Damages are in excess of the amount of the Deductible and (iii) the Indemnified Buyer Persons shall not be entitled to recover Damages pursuant to claims for breach of Section 3.10(c) unless such Damages exceed $250,000 in the aggregate, whereupon Seller shall be obligated to pay in full all such amounts but only to the extent such aggregate Damages are in excess of $250,000. Seller shall not in the aggregate be obligated to indemnify the Indemnified Buyer Persons pursuant to Section 9.1(a) for aggregate Damages in excess of the amount then contained in the Escrow Account.

Section 9.2 Indemnification by Buyer.

(a) From and after the Closing Date, subject to the other provisions of this ARTICLE 9, Buyer agrees to indemnify Seller and its Affiliates and its and their officers, directors, managers, employees, agents and representatives (other than the Companies) (collectively, the "Indemnified Seller Persons") and to hold each of them harmless from and against any and all Damages, in each case to the extent suffered, paid or incurred by such Indemnified Seller Persons and to the extent resulting from or caused by: (i) any breach or inaccuracy of any of the representations and warranties made by Buyer in ARTICLE 5 as of the date hereof or as of the Closing Date or in the certificate delivered by Buyer pursuant to Section 7.3(c)(i) and (ii) any breach by Buyer of any covenant or agreement of Buyer contained in this Agreement; provided that for purposes of this ARTICLE 9, if any representation or warranty is qualified by materiality or a derivative thereof, such qualification will, for purposes of determining whether such representation or warranty has been breached and in calculating the amount of Damages with respect to such breach, be ignored and deemed not included in such representation or warranty.

(b) Notwithstanding anything to the contrary contained in Section 9.2(a), the right of the Indemnified Seller Persons to indemnification pursuant to Section 9.2(a) shall be subject to the following limitations: (i) the Indemnified Seller Persons shall not be entitled to recover Damages pursuant to Section 9.2(a)(i) (other than for claims for breach of the Buyer Fundamental Representations) for any claim or series of related claims unless such claim or series of related claims exceed the De Minimis Amount, and (ii) the Indemnified Seller Persons shall not be entitled to recover Damages pursuant to Section 9.2(a)(i) (other than for claims for breach of the Buyer Fundamental Representations) unless such Damages exceed the Deductible in the aggregate, whereupon Buyer shall be obligated to pay in full all such amounts but only to the extent such aggregate Damages are in excess of the amount of the Deductible. Buyer shall not in the aggregate be obligated to indemnify the Indemnified Seller Persons for aggregate Damages in excess of the amount of the Escrow Amount.

Section 9.3 Indemnification Procedures.

(a) If an Indemnified Buyer Person or an Indemnified Seller Person (each, an "Indemnified Person") believes that a claim, demand or other circumstance exists that has given or may reasonably be expected to give rise to a right of indemnification under this ARTICLE 9 (whether or not the amount of Damages relating thereto is then quantifiable), such Indemnified Person shall assert its claim for indemnification by giving written notice thereof, subject to Section 9.3 (a "Claim Notice") to Seller (if indemnification is sought from Seller) or to Buyer (if indemnification is sought from Buyer) (in any such case, the "Indemnifying Party"); provided that if the event or occurrence giving rise to such claim for indemnification is, or relates to an Action brought by a third party, such Claim Notice must be provided by such Indemnified Person promptly and in any event within fifteen (15) Business Days following receipt of notice of such Action by such third party; provided, further, that failure to give notice as specified herein shall not relieve the Indemnifying Party of its indemnification obligation hereunder unless and to the extent the Indemnifying Party is actually prejudiced by such failure. Each Claim Notice shall describe the claim in reasonable detail.

(b) If any claim or demand by an Indemnified Person under this ARTICLE 9 relates to a claim, suit or proceeding (including with respect to Taxes) filed or made against an Indemnified Person by a third party (a "Third Party Claim"), the Indemnifying Party may elect at any time within thirty (30) days of receipt of notice of a Third Party Claim to control and defend such Third Party Claim, in each case at its sole cost and expense and with its own counsel. In no event shall any Indemnified Person settle any Third Party Claim without the prior written consent of the Indemnifying Party, and the Indemnifying Party shall not be liable for any settlement made without its prior written consent. If the Indemnifying Party elects to defend any such Third Party Claim, then the Indemnified Person shall be entitled to participate in such defense with its own counsel, at such Indemnified Person's sole cost and expense. If the Indemnifying Party (i) advises such Indemnified Person in writing that the Indemnifying Party will not elect to defend, settle or compromise such Action or (ii) fails to make such an election in writing, within fifteen (15) Business Days of receipt from an Indemnified Person of any Claim Notice with respect to a Third Party Claim, such Indemnified Person may (subject to the Indemnifying Party's continuing right of election in the first sentence of this Section 9.3(b)), at its option, assume the defense of such Third Party Claim. Unless and until the Indemnifying Party makes an election in accordance with this Section 9.3(b) to assume the defense of such Third Party Claim, all of the Indemnified Person's reasonable out-of-pocket costs and expenses arising out of the defense of any such Third Party Claim shall be subject to indemnification hereunder to the extent provided, and subject to the limitations set forth, herein. Each Indemnified Person shall make available to the Indemnifying Party all information reasonably available to such Indemnified Person as may reasonably be requested relating to such Third Party Claim. In addition, the Parties shall render to each other such assistance as may reasonably be requested in order to help ensure the proper and adequate defense of any such Third Party Claim. The Party in charge of the defense shall keep the other Parties reasonably apprised at all times as to the status of the defense or any settlement negotiations with respect thereto.

Section 9.4 General.

(a) From and after the Closing, and except with respect to claims arising from fraud and for claims pursuant to Section 10.15, the Side Letter and the Transition Services Agreement, the indemnification provided in this ARTICLE 9 shall be the sole and exclusive remedy available to any party hereto with respect to any matter in any way arising from or relating to this Agreement. Subject to the foregoing, to the maximum extent permitted by Law, the parties hereby waive all other rights and remedies with respect to any matter in any way relating to this Agreement or arising in connection herewith, whether under any Laws at common law, in equity or otherwise (including with respect to any environmental, health or safety matters, including those arising under CERCLA or any other Environmental Laws), except to the extent of a breach of Section 3.14.

(b) The Escrow Amount will be the sole recourse for payments due from the Seller pursuant to ARTICLE 9, and in no event shall the Indemnified Buyer Persons be entitled to recover an aggregate amount pursuant to this ARTICLE 9 in excess of the available portion of the Escrow Amount at any time. On the first Business Day following the fifteen (15) month anniversary of the Closing Date, the Escrow Agent shall release to Seller from the Escrow Account an amount equal to $25,000,000; provided that such release shall occur only if prior to the fifteen (15) month anniversary of the Closing Date, no claims for indemnification have been made or are pending pursuant to this ARTICLE 9 by any Indemnified Buyer Persons or third party. Any portion of the Escrow Amount remaining as of the Release Date (less the aggregate amount claimed by the Indemnified Buyer Persons pursuant to a Claim Notice delivered pursuant to Section 9.4 and not fully resolved prior to such date) shall be released to Seller. At any time following the Release Date, to the extent the available portion of the Escrow Amount exceeds the aggregate amount claimed by the Indemnified Buyer Persons pursuant to Claim Notices made prior to such Release Date and not fully resolved prior to the time of determination, such excess shall be promptly released to Seller. Seller and the Buyer shall deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to make any distributions from the Escrow Amount provided for herein.

(c) Any indemnification payment payable by the Buyer hereunder shall be made by wire transfer of immediately available funds within three (3) Business Days of the date on which such obligation is finally determined to such account or accounts as the Indemnified Seller Person may designate to the Buyer in writing.

(d) The representations, warranties, covenants and agreements of each party hereto and any Person's rights to indemnification with respect thereto shall not be affected or deemed waived by reason of any investigation made by or on behalf of such Person (including by any of its advisors, consultants or representatives) or by reason of the fact that such Person or any of such advisors, consultants or representatives knew or should have known that any such representation or warranty is, was or might be inaccurate or by reason of any waiver by any party hereto of any condition set forth in ARTICLE 7.

(e) Notwithstanding anything to the contrary contained in this ARTICLE 9, no indemnification shall be provided under this Agreement with respect to any Damages that are not reasonably foreseeable or punitive damages, provided that Damages of the Indemnified

Buyer Persons and Indemnified Seller Persons may include punitive damages to the extent that they are actually adjudicated as due and actually paid by such Person to a third party in connection with an indemnified Third Party Claim.

(f) No Indemnified Person shall have any right to indemnification hereunder with respect to any environmental investigatory, corrective or remedial Action except to the extent such Action is required by Environmental Laws or other applicable Law and then only to the extent of any such action reasonably necessary to attain compliance in a cost effective manner with Environmental Laws or other applicable Law assuming continued commercial or industrial use of the subject property in the ordinary course of business consistent with past practice and employing appropriate risk based standards and institutional controls where available. The Seller shall have no obligation to indemnify any of the Indemnified Buyer Persons or the Group Companies with respect to any Action arising from (a) any conditions of contamination identified through any environmental sampling or analysis, or (b) any report to any Governmental Entity, in either case which is not affirmatively required by Environmental Laws unless Buyer reasonably believes there is or has been a violation of Environmental Laws.

(g) The amount of any Damages sustained by an Indemnified Person shall be reduced by the net amount actually recovered by such Indemnified Person or its Affiliates with respect to such Damages under any insurance coverage of the Group Companies or other source of reimbursement or indemnification by a third party (net of the amount of any out-of-pocket costs and expenses incurred (including increases in insurance premiums as a result of the claim, if applicable) to recover such reimbursement), it being understood and agreed that an Indemnified Person shall use commercially reasonable efforts to seek recovery under the applicable insurance policies of the Group Companies. To the extent that any such recovery is obtained after the Indemnified Person has received payment from the Indemnifying Party with respect to the applicable Damages, the Indemnified Person obtaining such recovery shall promptly refund the appropriate portion thereof to the Indemnifying Party to the extent it results in duplicate recovery for the same Damages (less any out-of-pocket costs and expenses incurred (including increases in insurance premiums as a result of the claim) to recover such reimbursement). The amount of any Damages for which indemnification is provided under this ARTICLE 9 shall be reduced by the amount of any Tax benefit actually received by the Indemnified Person in the tax year in which such Damages occur, as a result of the incurrence of such Damages (determined by comparing the Taxes that would have been payable taking into account any deductions attributable to such Loss with those Taxes that would have been payable in the absence of such deductions, and assuming that such deductions are the last item of deduction on any Tax Return). The Indemnified Buyer Persons shall not be entitled to indemnification under this ARTICLE 9 for any Damages to the extent that such Damages were taken into account in the determination of the Final Purchase Price pursuant to Section 2.4(b)(ii). The Indemnified Person shall use commercially reasonable efforts to mitigate Damages to the extent required by applicable Law.

(h) The Indemnified Persons entitled to the indemnification, liability limitation, exculpation and insurance set forth in this ARTICLE 9 are intended to be third party beneficiaries of this ARTICLE 9. This ARTICLE 9 shall survive the consummation of the transactions contemplated by this Agreement and shall be binding on all successors and assigns of Buyer and the Group Companies.

ARTICLE 10

MISCELLANEOUS

Section 10.1 Survival of Representations, Warranties and Covenants. Each of the representations, warranties and pre-Closing covenants and agreements of Seller, the Companies and Buyer hereunder shall survive the Closing to and until 18 months after the Closing (the "Release Date"). The expiration of any representation, warranty, covenant or agreement to be performed prior to the Closing as provided in this Section 10.1 shall preclude any indemnity with respect thereto under ARTICLE 9, as applicable, from and after the time such representation and warranty shall have expired; provided, however, that the expiration of any such representation, warranty, covenant or agreement to be performed prior to the Closing shall not affect the rights of any party in respect of any indemnity claim therefor as to which a Claim Notice in respect thereof has been given in good faith pursuant to Section 9.4 prior to the expiration of the applicable survival period provided in this Section 10.1 and the basis for any such Claim Notice is still existing as of such date of expiration (and, in each case, has not been resolved, rescinded or withdrawn). The covenants and agreements of the parties hereto to be performed after the Closing shall survive to such dates or times as contemplated herein.

Section 10.2 Entire Agreement; Assignment. This Agreement, the letter agreement of even date herewith among the Parties, Grande and ABRY Partners, LLC (the "Side Letter"), and the Confidentiality Agreement (a) constitute the entire agreement among the Parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof and (b) shall not be assigned by any Party (whether by operation of law or otherwise), other than for collateral purposes, without the prior written consent of Buyer and Seller; provided that no consent shall be required for Buyer to assign any or all of its respective rights and delegate any or all of its respective obligations hereunder to one or more of its Subsidiaries; provided that such delegation of obligations shall not relieve Buyer of any of its obligations hereunder. Any attempted assignment of this Agreement not in accordance with the terms of this Section 10.2 shall be void.

Section 10.3 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by facsimile (followed by overnight courier), E mail (followed by overnight courier), or by registered or certified mail (postage prepaid, return receipt requested) to the other Parties as follows:

To Buyer or to the Companies (after the Closing):

Cogeco Cable Inc.
5 Place Ville-Marie, Bureau 1700
Montreal, Québec

H3B 0B3
Attention: Legal Department
Facsimile: (514) 874-0776

with a copy (which shall not constitute notice to Buyer) to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017
Attention: Gary I. Horowitz
Facsimile: (212) 455-2502
E mail: ghorowitz@stblaw.com

To Seller:

Atlantic Broadband Group, LLC
c/o ABRY Partners LLC
111 Huntington Avenue
Boston, MA 02199
Attention: Jay Grossman
Facsimile: (617) 859-8797
E mail: jgrossman@abry.com

with a copy (which shall not constitute notice to Seller) to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Armand A. Della Monica and Joshua Kogan
Facsimile: (212) 446 6460
E mail: armand.dellamonica@kirkland.com
joshua.kogan@kirkland.com

To the Group Companies (prior to the Closing):

c/o Atlantic Broadband Group, LLC
One Batterymarch Park, 4th Floor
Quincy, MA 02169
Attention: Pat Bratton
Facsimile: (617) 786-8803
E mail: Pbratton@atlanticbb.com

with copies (which shall not constitute notice to the Companies) to:

ABRY Partners LLC
111 Huntington Avenue
Boston, MA 02199
Attention: Jay Grossman
Facsimile: (617) 859-8797
E mail: jgrossman@abry.com

and

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Armand A. Della Monica and Joshua Kogan
Facsimile: (212) 446 6460
E mail: armand.dellamonica@kirkland.com
joshua.kogan@kirkland.com

or to such other address as the Party to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

Section 10.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the State of Delaware.

Section 10.5 Fees and Expenses. Except as otherwise set forth in this Agreement, all fees and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement, including the fees and disbursements of counsel, financial advisors and accountants, shall be paid by the Party incurring such fees or expenses.

Section 10.6 Construction; Interpretation. The term "this Agreement" means this Stock Purchase Agreement together with the Disclosure Schedules and exhibits hereto, as the same may from time to time be amended, modified, supplemented or restated in accordance with the terms hereof. The headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement. No Party, nor its respective counsel, shall be deemed the drafter of this Agreement for purposes of construing the provisions hereof, and all provisions of this Agreement shall be construed according to their fair meaning and not strictly for or against any Party. Unless otherwise indicated to the contrary herein by the context or use thereof: (i) the words, "herein," "hereto," "hereof" and words of similar import refer to this Agreement as a whole, including the Disclosure Schedules and exhibits, and not to any particular section, subsection, paragraph, subparagraph or clause contained in this Agreement; (ii) masculine gender shall also include the feminine and neutral genders, and vice versa; (iii) words importing the singular shall also include the plural, and vice versa; and (iv) the words "include," "includes" or "including" shall be deemed to be followed by the words "without limitation".

Section 10.7 Exhibits and Disclosure Schedules. All exhibits and Disclosure Schedules, or documents expressly incorporated into this Agreement, are hereby incorporated into this Agreement and are hereby made a part hereof as if set out in full in this Agreement. Any item disclosed in any Disclosure Schedule referenced by a particular section in this Agreement shall be deemed to have been disclosed with respect to every other section in this Agreement if the relevance of such disclosure to such other section is reasonably apparent on its face (other than with respect to Section 3.10(a)(i)). The specification of any dollar amount in the representations or warranties contained in this Agreement or the inclusion of any specific item in any Disclosure Schedule is not intended to imply that such amounts, or higher or lower amounts or the items so included or other items, are or are not material, and no Party shall use the fact of the setting of such amounts or the inclusion of any such item in any dispute or controversy as to whether any obligation, items or matter not described herein or included in a Disclosure Schedule is or is not material for purposes of this Agreement.

Section 10.8 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each Party and its successors and permitted assigns and, except as otherwise expressly set forth herein, nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement; provided, however, any Persons party to the Debt Financing Commitments are third party beneficiaries of Sections 6.14, 10.4, 10.13, 10.14 and 10.15.

Section 10.9 Severability. If any term or other provision of this Agreement is invalid, illegal or unenforceable, all other provisions of this Agreement shall remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party.

Section 10.10 Counterparts; Facsimile Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or scanned pages shall be effective as delivery of a manually executed counterpart to this Agreement.

Section 10.11 Knowledge of the Companies. For all purposes of this Agreement, the phrase “to the Companies’ knowledge”, “to the knowledge of the Companies” and “known by the Companies” and any derivations thereof shall mean as of the applicable date, the actual knowledge without independent investigation (and shall in no event encompass constructive, imputed or similar concepts of knowledge) of Patrick Bratton, Edward Holleran, David Keefe, David Isenberg, David Dane, and Bartlett Leber, none of whom shall have any personal liability or obligations regarding such knowledge.

Section 10.12 No Recourse. Notwithstanding anything that may be expressed or implied in this Agreement, each of the Parties acknowledges and agrees that no recourse under this Agreement or any documents or instruments delivered in connection with this Agreement shall be had against any current or future director, officer, employee or member of Seller or Buyer or of any Affiliate or assignee thereof, as such, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable Law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any current or future director, officer, employee or member of Seller or Buyer or of any Affiliate or assignee thereof, as such, for any obligation of Seller or Buyer under this Agreement or any documents or instruments delivered in connection with this Agreement for any claim based on, in respect of or by reason of such obligations or their creation.

Section 10.13 WAIVER OF JURY TRIAL. EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (I) ARISING UNDER THIS AGREEMENT OR (II) IN ANY WAY CONNECTED WITH OR RELATED

OR INCIDENTAL TO THE DEALINGS OF THE PARTIES IN RESPECT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS RELATED HERETO, IN EACH CASE, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY, OR OTHERWISE. EACH PARTY HEREBY FURTHER AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES MAY FILE A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 10.14 Jurisdiction and Venue. Each of the Parties hereto (a) irrevocably consents to the service of the summons and complaint and any other process in any action or proceeding relating to the transactions contemplated by this Agreement, for and on behalf of itself or any of its properties or assets, in accordance with this Section 10.14 or in such other manner as may be permitted by applicable Law, that such process may be served in the manner of giving notices in Section 10.3 and that nothing in this Section 10.14 shall affect the right of any Party to serve legal process in any other manner permitted by applicable Law; (b) irrevocably and unconditionally consents and submits itself and its properties and assets in any action or proceeding to the exclusive general jurisdiction of the Court of Chancery of the State of Delaware (the "Chancery Court") and any state appellate court therefrom located within the State of Delaware (or, only if the Chancery Court declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware) in the event any dispute or controversy arises out of this Agreement or the transactions contemplated hereby, or for recognition and enforcement of any judgment in respect thereof; (c) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court; (d) agrees that any actions or proceedings arising in connection with this Agreement or the transactions contemplated hereby shall be brought, tried and determined only in the Chancery Court and any state appellate court therefrom located within the State of Delaware (or, only if the Chancery Court declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware); (e) waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same; and (f) agrees that it will not bring any action relating to this Agreement or the transactions contemplated hereby in any court other than the aforesaid courts. Each of Buyer, Seller and the Companies agree that a final judgment in any action or proceeding in such courts as provided above shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law. Notwithstanding the foregoing, each of the Parties agrees that it will not bring or support any action, cause of action, claim, cross-claim or third-party claim of any kind or description, whether in law or in equity, whether in contract or in tort or otherwise, against the Lenders in any way relating to this Agreement or any of the transactions contemplated by this Agreement, including any dispute arising out of or relating in any way to the Debt Financing or the performance thereof, in any forum other than any state or Federal court sitting in the City of New York. The Lenders shall be express third party beneficiaries with respect to this section.

Section 10.15 Remedies. Except as otherwise expressly provided herein, any and all remedies provided herein will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy. The Parties agree that (i) irreparable damage for which monetary damages, even if available, would not be an adequate remedy, would occur in the event that the Parties do not perform their respective obligations under the provisions of this Agreement (including failing to take such actions as are required of them hereunder to consummate the transactions contemplated by this Agreement) in accordance with their specific terms or otherwise breach such provisions and (ii) prior to the valid termination of this Agreement pursuant to Section 8.1, the Parties shall be entitled to an injunction or injunctions, specific performance and other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, in each case without posting a bond or undertaking, this being in addition to any other remedy to which they are entitled at law or in equity. Each of the Parties agrees that it will not oppose the granting of an injunction, specific performance and other equitable relief when expressly available pursuant to the terms of this Agreement on the basis that the other Parties have an adequate remedy at law or an award of specific performance is not an appropriate remedy for any reason at law or equity. Except in the case of fraud, no breach of any representation, warranty or covenant contained herein or in any certificate delivered pursuant to this Agreement shall give rise to any right on the part of Buyer or Seller, after the consummation of the transactions contemplated hereby, to rescind this Agreement or any of the transactions contemplated hereby.

Section 10.16 Waiver of Conflicts. Recognizing that Kirkland & Ellis LLP has acted as legal counsel to Seller, its Affiliates and the Group Companies prior to the Closing, and that Kirkland & Ellis LLP intends to act as legal counsel to Seller and its Affiliates (which will no longer include the Group Companies) after the Closing, each of Buyer and the Company hereby waives, on its own behalf and agrees to cause its Affiliates to waive, any conflicts that may arise in connection with Kirkland & Ellis LLP representing Seller and/or its Affiliates after the Closing as such representation may relate to Buyer, any Group Company or the transactions contemplated herein. In addition, all communications involving attorney-client confidences between Seller, its Affiliates or any Group Company and Kirkland & Ellis LLP in the course of the negotiation, documentation and consummation of the transactions contemplated hereby shall be deemed to be attorney-client confidences that belong solely to Seller and its Affiliates (and not the Group Companies). Accordingly, the Group Companies shall not have access to any such communications, or to the files of Kirkland & Ellis LLP relating to engagement, whether or not the Closing shall have occurred. Without limiting the generality of the foregoing, upon and after the Closing, (i) Seller and its Affiliates (and not the Group Companies) shall be the sole holders of the attorney-client privilege with respect to such engagement, and none of the Group Companies shall be a holder thereof, (ii) to the extent that files of Kirkland & Ellis LLP in respect of such engagement constitute property of the client, only Seller and its Affiliates (and not the Group Companies) shall hold such property rights and (iii) Kirkland & Ellis LLP shall have no duty whatsoever to reveal or disclose any such attorney-client communications or files to any of the Group Companies by reason of any attorney-client relationship between Kirkland & Ellis LLP and any of the Group Companies or otherwise.

* * * * *

IN WITNESS WHEREOF, each of the Parties has caused this Stock Purchase Agreement to be duly executed on its behalf as of the day and year first above written.

ATLANTIC BROADBAND (MANAGEMENT) HOLDINGS, INC.

By: *(signed)* Patrick Bratton
Name: Patrick Bratton
Title: Chief Financial Officer

ATLANTIC BROADBAND (MIAMI) HOLDINGS, INC.

By: *(signed)* Patrick Bratton
Name: Patrick Bratton
Title: Chief Financial Officer

ATLANTIC BROADBAND (DELMAR) HOLDINGS, INC.

By: *(signed)* Patrick Bratton
Name: Patrick Bratton
Title: Chief Financial Officer

ATLANTIC BROADBAND (PENN) HOLDINGS, INC.

By: *(signed)* Patrick Bratton
Name: Patrick Bratton
Title: Chief Financial Officer

ATLANTIC BROADBAND (SC) HOLDINGS, INC.

By: *(signed)* Patrick Bratton
Name: Patrick Bratton
Title: Chief Financial Officer

ATLANTIC BROADBAND GROUP, LLC

By: *(signed)* Patrick Bratton
Name: Patrick Bratton
Title: Chief Financial Officer

COGECO CABLE INC.

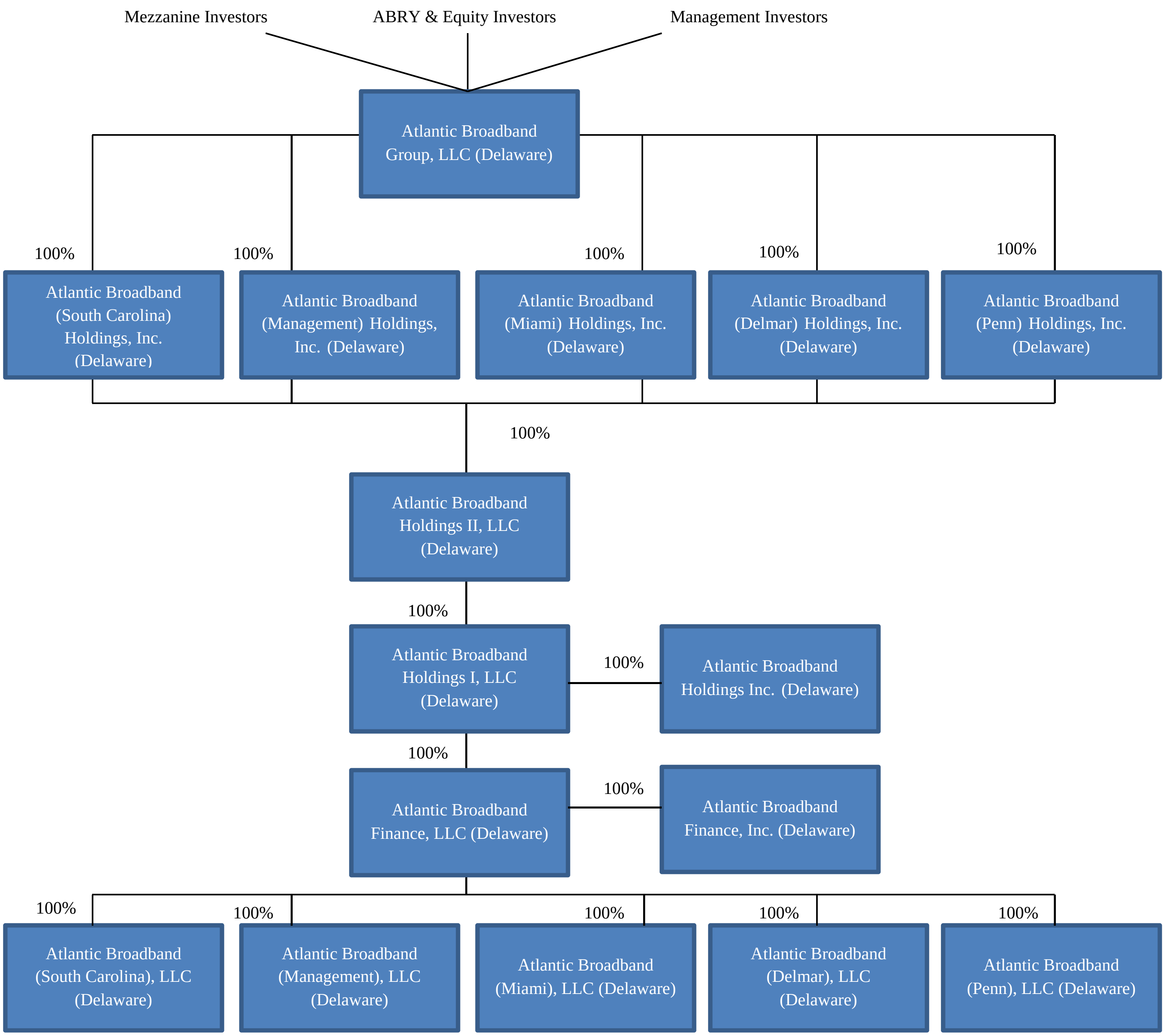
By: *(signed)* Louis Audet
Name: Louis Audet
Title: President and Chief Executive Officer

By: *(signed)* Christian Jolivet
Name: Christian Jolivet
Title: Vice President and Chief Legal Officer

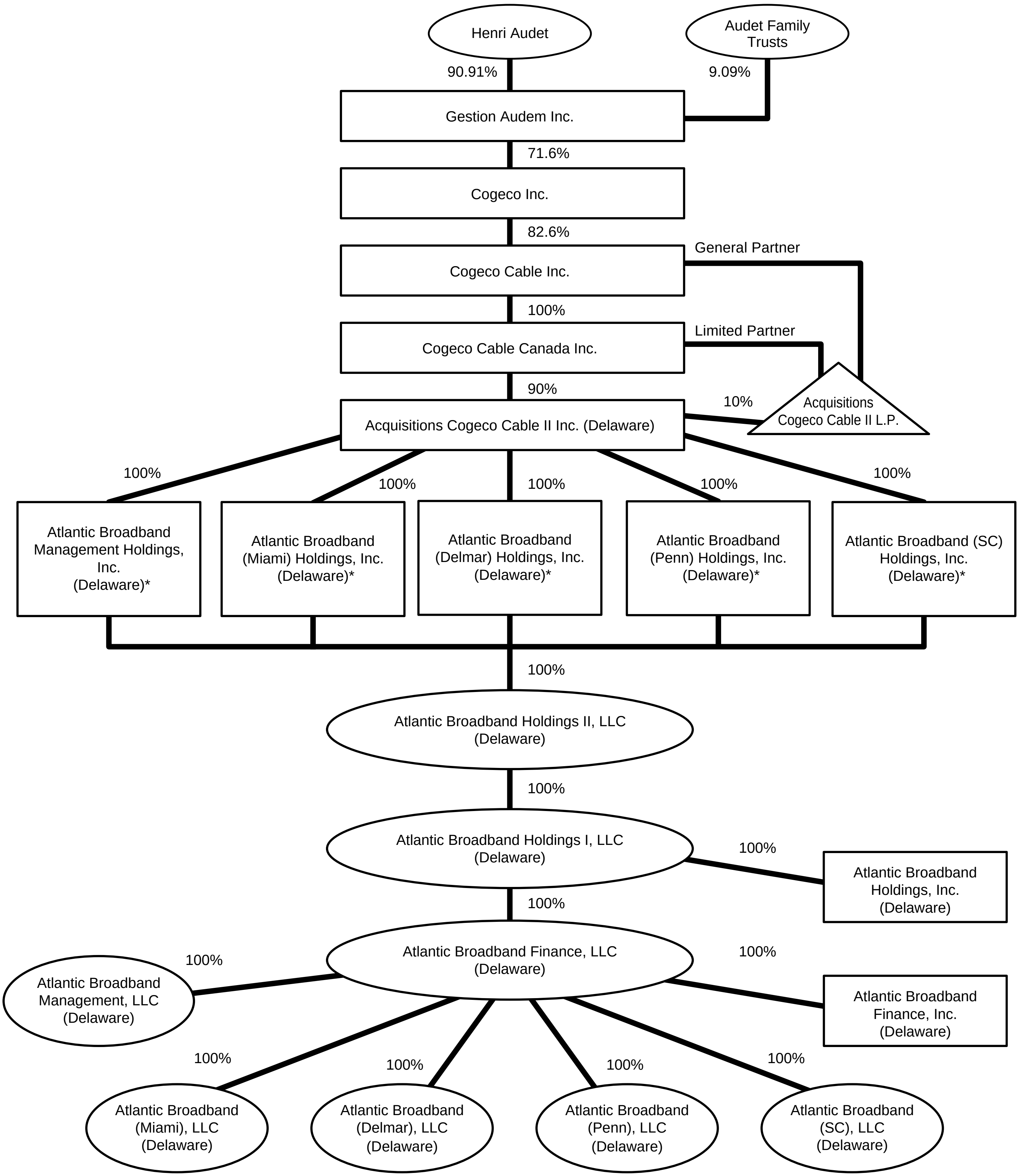
<u>Attachment B</u>

Pre- and Post-Transaction Illustrative Chart

Pre-Transaction Organization (Voting Percentages)



Post-Transaction Organization
(Voting Percentages)



*At or shortly after the consummation of the Transaction, Acquisitions Cogeco Cable II Inc. expects to complete a corporate reorganization involving a combination of one or more of Atlantic Broadband (SC) Holdings, Inc., Atlantic Broadband (Management) Holdings, Inc., Atlantic Broadband (Miami) Holdings, Inc., Atlantic Broadband (Delmar) Holdings, Inc. and Atlantic Broadband (Penn) Holdings, Inc. The reorganization will not result in a change of the Franchisee or affect the ultimate control of the Franchisee.

Attachment C

Cogeco Financial Statements

Consolidated financial statements

Consolidated financial statements

Management's responsibility

Related to the consolidated financial statements

The consolidated financial statements of COGECO Inc. (the "Corporation") and the financial information contained in this annual report are the responsibility of management. The consolidated financial statements include amounts determined by management based on estimates, which in their opinion are reasonable and fair. The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and have been approved by the Board of Directors. Operating and financial information used elsewhere in the annual report is consistent with that of the consolidated financial statements.

In fulfilling its responsibilities, management of COGECO Inc. and its subsidiaries has developed, and continues to improve administrative and accounting systems in order to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and maintains internal accounting controls to ensure that financial records are reliable for preparing the financial statements. The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, which reviews the annual consolidated financial statements of the Corporation and recommends their approval to the Board of Directors. The committee periodically meets with management and the external and internal auditors to discuss the results of the external and internal examinations and matters having an impact on financial information.

The external auditors appointed by the shareholders, Samson Bélair/Deloitte & Touche s.e.n.c.r.l., Chartered Accountants, are responsible for making an independent examination of the consolidated financial statements in accordance with Canadian Generally Accepted Auditing Standards and to issue an opinion on the statements. The external auditors have free access to the Audit Committee, with or without the presence of management. Their report follows.

Louis Audet
President and Chief Executive Officer

Pierre Gagné
Senior Vice-President and Chief Financial Officer

Montreal, October 26, 2011

Independent Auditor's Report

To the Shareholders of COGECO Inc.

We have audited the accompanying consolidated financial statements of COGECO Inc., which comprise the consolidated balance sheets as at August 31, 2011 and 2010, and the consolidated statements of income (loss), comprehensive income (loss), retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of COGECO Inc. as at August 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian Generally Accepted Accounting Principles.

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.[1]

October 26, 2011
Montreal, Canada

[1] Chartered accountant auditor permit No. 13556

Consolidated statements of income (loss)

Years ended August 31, *(In thousands of dollars, except per share data)*	**2011** **$**	2010 $
Revenue	**1,443,769**	1,321,694
Operating costs	**864,179**	802,355
Operating income before amortization	**579,590**	519,339
Amortization (note 4)	**249,012**	259,457
Operating income	**330,578**	259,882
Financial expense (note 5)	**74,080**	65,499
Impairment of goodwill and fixed assets (note 6)	**225,873**	–
Income before income taxes and the following items	**30,625**	194,383
Income taxes (note 7)	**71,992**	31,664
Gains on dilution resulting from the issuance of shares by a subsidiary	**(60)**	(26)
Non-controlling interest	**(32,328)**	106,481
Net income (loss)	**(8,979)**	56,264

Earnings (loss) per share (note 8)		
Basic	**(0.54)**	3.36
Diluted	**(0.54)**	3.35

Consolidated statements of comprehensive income (loss)

Years ended August 31, *(in thousands of dollars)*	2011 $	2010 $
Net income (loss)	**(8,979)**	56,264
Other comprehensive income (loss)		
Unrealized gains (losses) on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $2,953,000 (income tax expense of $294,000 in 2010) and non-controlling interest of $10,410,000 ($1,038,000 in 2010)	**(4,943)**	496
Reclassification to financial expense of unrealized losses on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $2,124,000 and non-controlling interest of $9,775,000 (non-controlling interest of $3,664,000 in 2010)	**4,650**	1,751
Unrealized gains (losses) on translation of a net investment in self-sustaining foreign subsidiaries, net of non-controlling interest of $4,918,000 ($25,308,000 in 2010)	**2,330**	(12,081)
Unrealized gains (losses) on translation of long-term debts designated as hedges of a net investment in self-sustaining foreign subsidiaries, net of non-controlling interest of $2,648,000 ($19,778,000 in 2010)	**(1,255)**	9,440
	782	(394)
Comprehensive income (loss)	**(8,197)**	55,870

Consolidated statements of retained earnings

Years ended August 31, *(In thousands of dollars)*	2011 $	2010 $
Balance as reported, beginning of year	**253,169**	211,922
Changes in accounting policies (note 1 B))	**–**	(7,894)
Balance as restated, beginning of year	**253,169**	204,028
Net income (loss)	**(8,979)**	56,264
Excess of the value attributed to the incentive share units at issuance (price paid for the acquisition of the subordinate voting shares) over the price paid for the acquisition of the subordinate voting share (value attributed to the incentive share units at issuance)	**56**	(430)
Dividends on multiple voting shares	**(921)**	(737)
Dividends on subordinate voting shares	**(7,446)**	(5,956)
Balance, end of year	**235,879**	253,169

Consolidated balance sheets

At August 31, (In thousands of dollars)	2011 $	2010 $
Assets		
Current		
Cash and cash equivalents (note 15 C))	55,216	35,842
Accounts receivable (note 17)	100,297	74,560
Income taxes receivable	38,480	45,400
Prepaid expenses and other	14,020	14,189
Future income tax assets (note 7)	5,350	6,133
Assets held for sale (note 21)	1,365	–
	214,728	176,124
Investments	539	739
Fixed assets (note 9)	1,272,610	1,328,866
Deferred charges (note 10)	26,847	27,960
Intangible assets (note 11)	1,121,422	1,042,998
Goodwill (note 11)	239,664	144,695
Derivative financial instruments	–	5,085
Future income tax assets (note 7)	15,558	18,189
Assets held for sale (note 21)	5,886	–
	2,897,254	2,744,656

Liabilities and shareholders' equity		
Liabilities		
Current		
Bank indebtedness (note 12)	–	2,328
Accounts payable and accrued liabilities	285,804	248,775
Income tax liabilities	59,935	558
Deferred and prepaid revenue	43,520	45,602
Derivative financial instrument	–	1,189
Promissory note payable (note 2)	5,000	–
Current portion of long-term debt (note 12)	2,119	2,329
Future income tax liabilities (note 7)	85,201	78,267
Liabilities related to assets held for sale (note 21)	1,747	–
	483,326	379,048
Long-term debt (note 12)	1,016,663	952,741
Balance due on a business acquisition (note 2)	11,400	–
Derivative financial instruments	14,408	–
Deferred and prepaid revenue and other liabilities	19,390	12,234
Pension plans liabilities and accrued employee benefits (note 16)	13,215	10,568
Future income tax liabilities (note 7)	252,958	238,699
Liabilities related to assets held for sale (note 21)	518	–
	1,811,878	1,593,290
Non-controlling interest	719,975	769,731
Commitments, contingencies and guarantees (note 18)		
Shareholders' equity		
Capital stock (note 13)	119,318	119,527
Contributed surplus	3,488	3,005
Retained earnings	235,879	253,169
Accumulated other comprehensive income (note 14)	6,716	5,934
	365,401	381,635
	2,897,254	2,744,656

On behalf of the Board of Directors,

Jan Peeters
Director

Pierre L. Comtois
Director

Consolidated statements of cash flows

Years ended August 31, *(In thousands of dollars)*	2011 $	2010 $
Cash flow from operating activities		
Net income (loss)	**(8,979)**	56,264
Adjustments for:		
Amortization (note 4)	**249,012**	259,457
Amortization of deferred transaction costs and discounts on long-term debt	**3,759**	3,913
Impairment of goodwill and fixed assets (note 6)	**225,873**	–
Future income taxes	**5,782**	70,915
Non-controlling interest	**(32,328)**	106,481
Gains on dilution resulting from the issuance of shares by a subsidiary	**(60)**	(26)
Stock-based compensation (note 13)	**3,837**	2,621
Loss on disposals and write-offs of fixed assets	**2,459**	2,932
Other	**2,661**	(338)
	452,016	502,219
Changes in non-cash operating items (note 15 A))	**75,111**	(76,883)
	527,127	425,336
Cash flow from investing activities		
Acquisition of fixed assets (note 15 B))	**(330,669)**	(309,752)
Increase in deferred charges	**(10,872)**	(11,069)
Business acquisitions, net of cash and cash equivalents acquired (note 2)	**(208,344)**	–
Other	**341**	168
	(549,544)	(320,653)
Cash flow from financing activities		
Increase (decrease) in bank indebtedness	**(2,328)**	1,912
Net repayments under the Term Facilities and Term Revolving Facilities	**53,519**	(71,843)
Issuance of long-term debt, net of discounts and transaction costs	**198,295**	–
Repayments of long-term debt	**(177,822)**	(3,914)
Increase in deferred transaction costs	**(444)**	(5,810)
Issuance of subordinate voting shares (note 13)	**629**	353
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 13)	**(1,296)**	(1,049)
Dividends on multiple voting shares	**(921)**	(737)
Dividends on subordinate voting shares	**(7,446)**	(5,956)
Issuance of shares by a subsidiary to non-controlling interest	**4,740**	481
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 13)	**(2,368)**	(2,008)
Dividends paid by a subsidiary to non-controlling interest	**(23,355)**	(18,384)
	41,203	(106,955)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**588**	(1,344)
Net change in cash and cash equivalents	**19,374**	(3,616)
Cash and cash equivalents, beginning of year	**35,842**	39,458
Cash and cash equivalents, end of year	**55,216**	35,842

See supplemental cash flow information in note 15.

Notes to the consolidated financial statements

Years ended August 31, 2011 and 2010

Nature of operations

COGECO Inc. (the "Corporation") is a Canadian public corporation whose shares are listed on the Toronto Stock Exchange ("TSX"). The Corporation is engaged in Cable Television, High Speed Internet ("HSI"), Telephony, managed information technology and infrastructure, and other telecommunications services to its residential and commercial customers in Canada and in Portugal through Cogeco Cable Inc. and in Radio broadcasting through Cogeco Diffusion Inc.

1. Significant accounting policies

The consolidated financial statements are prepared in conformity with Canadian Generally Accepted Accounting Principles ("GAAP").

A) Consolidation principles

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, as well as those of variable interest entities for which the Corporation is the primary beneficiary. Business acquisitions are accounted for under the purchase method and operating results are included in the consolidated financial statements as of the date of the acquisition of control. Other investments are recorded at cost.

Business segments and percentages of interest in the main subsidiaries are as follows:

Segment	Principal subsidiaries	Percentage of interest %	Voting rights %
Cable	Cogeco Cable Inc.	32.2	82.6
Other	Cogeco Diffusion Acquisitions Inc.	100.0	100.0

B) Recent accounting pronouncements and changes in accounting policies

Adopted during fiscal 2010

i. Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remained unchanged from the standards included in the previous Section 3062. The new section was applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with retroactive application. The adoption of Section 3064 resulted in the elimination of the deferral of new service launch costs which are now recognized as operating costs when they are incurred. Reconnect and additional service activation costs are capitalized up to an amount not exceeding the revenue generated by the reconnect activity. The retroactive adoption of Section 3064 reduced the fiscal year 2010 opening retained earnings by an amount of $7.9 million net of non-controlling interest of $16.4 million.

ii. Financial instrument disclosures

In 2009 the Canadian Accounting Standards Board ("AcSB") amended CICA Handbook Section 3862, *Financial instruments – disclosures*, to require enhanced disclosures about the relative reliability of the data, or inputs, that an entity uses in measuring the fair values of its financial instruments. The new requirements are effective for annual financial statements for fiscal years ending after September 30, 2009. The adoption of this amendment did not have any impact on the classification and measurement of the Corporation's financial instruments. The new disclosures pursuant to this amendment are included in note 17 of the Corporation's consolidated financial statements.

Future accounting pronouncements

iii. Harmonization of Canadian and international accounting standards

In March 2006, the AcSB of the CICA released its new strategic plan, which proposed to abandon Canadian GAAP and effect a complete convergence to the International Financial Reporting Standards ("IFRS") for Canadian publicly accountable entities. This plan was confirmed in subsequent exposure drafts issued in April 2008, March 2009 and October 2009. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Corporation's first interim consolidated financial statements presented in accordance with IFRS will be for the three-month period ending November 30, 2011, and its first annual consolidated financial statements presented in accordance with IFRS will be for the year ending August 31, 2012.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. The Corporation has established a project team including representatives from various areas of the organization to plan and complete the transition to IFRS. This team reports periodically to the Audit Committee, which oversees the IFRS implementation project on behalf of the Board of Directors. The Corporation is assisted by external advisors as required.

The Corporation's project for the transition from Canadian GAAP to IFRS is progressing according to the established plan in order to meet the target date for migration.

iv. Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1582, *Business combinations*, which replaces Section 1581 of the same name, and Sections 1601, *Consolidated Financial Statements* and 1602, *Non-controlling interests*, which together replace Section 1600, *Consolidated Financial Statements*. These new sections harmonize significant aspects of Canadian accounting standards with the IFRS that will be mandated for publicly accountable entities with fiscal years beginning on or after January 1, 2011.

Section 1582 requires that all business acquisitions be measured at the fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date, and expands the definition of a business subject to an acquisition. The section also establishes new guidance on the measurement of consideration given and the recognition and measurement of assets acquired and liabilities assumed in a business combination. Furthermore, under this new guidance, acquisition costs, which were previously included as a component of the consideration given, and any negative goodwill resulting from the allocation of the purchase price, which was allocated as a reduction of non-current assets acquired under the previous standard, will be recorded in earnings in the current period. This new section will be applied prospectively and will only impact the Corporation's consolidated financial statements for future acquisitions concluded in periods subsequent to the date of adoption.

Sections 1601 and 1602 dealing with consolidated financial statements require an entity to measure non-controlling interest upon acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new sections also require non-controlling interest to be presented as a separate component of shareholders' equity.

The new standards will apply as of the beginning of the first annual reporting period beginning on or after January 1, 2011, with simultaneous early adoption permitted. Early adoption may reduce the amount of restatement required upon conversion to IFRS. The Corporation has elected not to early-adopt these sections, and in light of the adoption of International accounting standards taking effect at that same date, these sections will not be applicable to the Corporation.

v. Multiple deliverable revenue arrangements

In December 2009, the Emerging Issues Committee ("EIC") issued a new abstract concerning multiple deliverable revenue arrangements, EIC-175, *Multiple deliverable revenue arrangements*, which amended EIC-142, *Revenue arrangements with multiple deliverables*. EIC-175 requires a vendor to allocate arrangement consideration at the inception of the arrangement to all deliverables using the relative selling price method, thereby eliminating the use of the residual value method. The amendment also changes the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. EIC-175 should be adopted prospectively to revenue arrangements entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011, with early adoption permitted. The Corporation has elected not to early adopt this EIC, and in light of the adoption of International accounting standards taking effect at the same date, this EIC will not be applicable to the Corporation.

C) Revenue recognition

The Corporation considers revenue to be earned as services are rendered, provided that ultimate collection is reasonably assured. The Corporation earns revenue from several sources. The recognition of revenue from the principal sources is as follows:

- Revenue from Cable Television, HSI, Telephony, managed information technology and infrastructure and other telecommunications services are recognized when services are rendered;
- Revenue generated from sales of home terminal devices is recorded as equipment revenue upon activation of services as management considers the sale of home terminal devices as a single unit of accounting of a multiple element arrangement;
- Installation revenue is deferred and amortized over the average life of a customer's subscription for residential customers, not exceeding four years, and over the term of the contract for business customers. Management considers that installation revenue is part of a multiple element arrangement and has no standalone value. Accordingly, installation revenue is deferred and amortized at the same pace as revenue from Cable Television, HSI, Telephony, managed information technology and infrastructure and other telecommunications services are earned;
- Advertising revenue is recognized when aired;
- Promotional offers are accounted for as deductions from revenue when customers take advantage of such offers.

Amounts received or invoiced that do not comply with these criteria are accounted for as deferred and prepaid revenue.

D) Fixed assets

Fixed assets are recorded at cost. During construction of new assets, direct costs plus a portion of overhead costs directly attributable are capitalized. Financial expense during construction is expensed in the year in which it is incurred. Amortization is recorded mainly on a straight-line basis over the estimated useful lives over the following periods:

Buildings	10 to 40 years
Cable systems	4 to 20 years
Broadcasting, programming and production equipment	3 to 20 years
Home terminal devices	3 to 5 years
Rolling stock and equipment under capital leases	5 years
Other equipment	2 to 10 years
Leasehold improvements	Lease term

The Corporation reviews, when a triggering event occurs, the carrying value of its fixed assets by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. The impairment loss is measured as the amount by which the asset or group of assets' carrying amount exceeds its fair value.

Legal obligations associated with site restoration costs on the retirement of property are recognized in the period in which they can be reasonably estimated based on currently available information. The obligations are initially measured at fair value and an equal amount is recorded to fixed assets. Over time, the discounted asset retirement obligations accrete due to the increase in the fair value resulting from the passage of time. This accretion amount is charged to operating costs. The initial costs are depreciated over the useful lives of the related fixed assets or the remaining leasehold engagements when applicable. The Corporation's subsidiary, Cogeco Cable Inc., does not record an asset retirement obligation in connection with its cable systems as the Corporation's subsidiary expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date relating to these assets undeterminable.

E) Deferred charges

Deferred charges include reconnect and additional service activation costs and transaction costs. Reconnect and additional service activation costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity. Reconnect and additional service activation costs are amortized over the average life of a customer's subscription, not exceeding four years. Transaction costs on the revolving loan and the swingline facility are amortized over the term of the related financing on a straight-line basis.

F) Intangible assets

Intangible assets with finite useful lives, such as customer relationships, are recorded at cost and amortized on a straight-line basis over the average life of a business customer's subscription, which is eight years. The Corporation reviews, when a triggering event occurs, the carrying value of its intangible assets with finite useful lives by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. The impairment loss is measured as the amount by which the asset or group of assets' carrying amount exceeds its fair value. Any impairment loss is charged to earnings in the period in which the loss occurred.

Intangible assets with indefinite useful lives, such as customer base and broadcasting licences, are not amortized, but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. In conducting impairment testing, the Corporation compares the carrying value to the sum of the expected future discounted cash flows. When the impairment test indicates that the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. Any impairment loss is charged to earnings in the period in which the loss occurred.

G) Goodwill

Goodwill represents the difference between the price paid and the fair value attributed to tangible and intangible assets upon the acquisition of cable and telecommunications systems and radio broadcasting stations. Goodwill is not amortized but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. Goodwill is tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned exceeds the net carrying value of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. The impairment loss is measured as the amount by which the carrying amount of the reporting unit's goodwill exceeds its fair value. Any impairment loss is charged to earnings in the period in which the loss is incurred. The Corporation uses the discounted cash flow method to determine the fair value of reporting units.

H) Income taxes

Income taxes are accounted for under the asset and liability method. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax asset will be realized.

I) Stock-based compensation

The Corporation measures stock options granted to employees based on the fair value at the grant date by using the binomial pricing model and a compensation expense is recognized on a straight-line basis over the vesting period, which is three to five years, with a corresponding increase in contributed surplus. When the stock options are exercised, capital stock is credited by the sum of the consideration received and the related portion previously recorded in contributed surplus.

The Corporation measures incentive share units granted to employees based on the fair value of the Corporation's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years less one day, with a corresponding increase in contributed surplus.

The Deferred Share Unit Plans of the Corporation and its subsidiary, Cogeco Cable Inc., are recognized as a compensation expense and as an accrued liability as of the date units are awarded to officers. The accrued liability is re-measured at the end of each reporting period, until settlement, using the average closing price of the subordinate voting shares on the Toronto Stock Exchange for the twenty consecutive trading days immediately preceding by one day the closing date of the reporting period.

J) Employee future benefits

Pension costs, recorded in operating costs, related to the defined contribution pension plan and the collective registered retirement savings plans are equivalent to the contributions that the Corporation is required to make in exchange for services rendered by employees.

Pension costs for defined benefit pension plans are determined using actuarial methods and are funded through contributions determined in accordance with the projected benefit method prorated on service. Pension expense is charged to operating costs and includes:

- The cost of pension benefits provided in exchange for employees' services rendered during the year;
- The amortization of past service costs and amendments over the expected average remaining service life of the active employee group covered by the plans, which is seven to nine years; and
- The interest cost of pension obligations, the expected rate of return on pension fund assets and the amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the benefit obligation or fair value of plan assets over the expected average remaining service life of the active employee group covered by the plans, which is seven to nine years. The Corporation uses the fair value of plan assets to evaluate plan assets for the purpose of calculating the expected return on plan assets.

K) Non-monetary transactions

In the normal course of its business, the Corporation enters into non-monetary transactions under which goods and services are acquired in exchange for advertising or other services. Non-monetary transactions with commercial substance, which would otherwise be payable in cash, are accounted for at their fair value.

L) Foreign currency translation

Financial statements of self-sustaining foreign subsidiaries are translated into Canadian dollars using the exchange rate in effect at the balance sheet date for asset and liability items, and using the average exchange rates during the period for revenue and expenses. Adjustments arising from this translation are deferred and recorded in the foreign currency translation adjustment in accumulated other comprehensive income, and are included in income only when a reduction in the investment in these foreign subsidiaries is realized.

Other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenue and expenses are translated at the average exchange rates prevailing during the period except for transactions being hedged, which are translated using the terms of the hedges. Amounts payable or receivable on cross-currency swap agreements, all of which are used to hedge foreign currency debt obligations, are recorded concurrently with the unrealized gains and losses on the obligations being hedged. Other foreign exchange gains and losses are recognized as financial expense, except for unrealized foreign exchange gains and losses on foreign-denominated long-term debt that is designated as a hedge of a net investment in self-sustaining foreign subsidiaries, which are included in the foreign currency translation adjustment in accumulated other comprehensive income, net of income taxes and non-controlling interest.

M) Financial instruments

Classification, recognition and measurement

All of the Corporation's financial assets are classified as held-for-trading or loans and receivables. The Corporation has classified its cash and cash equivalents as held-for-trading. Held-for-trading assets and liabilities are carried at fair value on the consolidated balance sheet, with changes in fair value recorded in the consolidated statements of income. Accounts receivable have been classified as loans and receivables. All of the Corporation's financial liabilities are classified as other liabilities, except for the cross-currency swap and interest rate swap agreements. Loans and receivables instruments and all financial liabilities, except for the cross-currency swap and interest rate swap agreements, are carried at amortized cost using the effective interest rate method. The Corporation has determined that none of its financial assets are classified as available-for-sale or held-to-maturity.

Transaction costs

Transaction costs are capitalized on initial recognition and presented as a reduction of the related financing, except for transaction costs on the revolving loans and the swingline facilities, which are presented as deferred charges. These costs are amortized over the term of the related financing using the effective interest rate method, except for transaction costs on the revolving loans and the swingline facilities, which are amortized over the term of the related financing on a straight-line basis.

Derivative financial instruments and hedge accounting

The Corporation uses cross-currency swap and interest rate swap agreements as derivative financial instruments to manage risk in fluctuation in interest and foreign exchange rates related to its long term debt. All derivatives are measured at fair value with changes in fair value recorded in the consolidated statements of income unless they are effective cash flow hedging instruments. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income, to the extent effective, until the variability of cash flows relating to the hedged asset or liability is recognized in the consolidated statements of income. Any hedge ineffectiveness is recognized in the consolidated statements of income immediately. Accordingly, the Corporation's cross-currency swap and interest rate swap agreements must be measured at fair value in the consolidated financial statements. Since these cross-currency swap and interest rate swap agreements are used to hedge cash flows on Senior Secured Notes Series A denominated in US dollars and a portion of Euro-denominated loans outstanding under the Term Revolving Facility, and previously the Term Facility, the changes in fair value are recorded in other comprehensive income. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Net receipts or payments arising from cross-currency and interest rate swap agreements are recognized as financial expense.

Embedded derivatives

All embedded derivatives that are not closely related to the host contracts are measured at fair value, with changes in fair value recorded in the consolidated statements of income. At August 31, 2011 and 2010, there were no significant embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated balance sheets.

N) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments that have an original maturity of three months or less.

O) Use of estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenue and expenses during the reporting year. Significant areas requiring the use of management estimates relate to the determination of pension plan liabilities and accrued employee benefits, the determination of accrued liabilities, the determination of allowance for doubtful accounts, the determination of the fair value of assets acquired and liabilities assumed in business combinations, the evaluation of the carrying amount of home terminal devices, the useful lives of assets for amortization, the determination of future cash flows for the purpose of impairment testing on fixed assets, goodwill and intangible assets with finite and indefinite useful lives, the discount rate used for the purpose of impairment testing on goodwill and intangible assets with indefinite useful lives, the provision for income taxes and determination of future income tax assets and liabilities and utilization thereof, and the determination of the fair value of financial instruments, including all derivative financial instruments. Actual results could differ from these estimates.

2. Business acquisitions

On April 30, 2010, the Corporation concluded an agreement with Corus Entertainment Inc. ("Corus") to acquire its Québec radio stations for $80 million, subject to customary closing adjustments and conditions, including approval by the Canadian Radio-television and Telecommunications Commission ("CRTC"). On June 30, 2010, the Corporation submitted its application for approval of the acquisition to the CRTC. On December 17, 2010, the CRTC approved the transaction essentially as proposed. On January 11, 2011, the Corporation was served with an application by Astral Media Radio Inc. ("Astral") to the Federal Court of Appeal ("Court") for leave to appeal the CRTC decision approving the transaction, and a related application by Astral for a stay of execution of that decision until final judgment of the Court. On February 21, 2011 the Court rejected applications filed by Astral in the matter of COGECO's acquisition of the Corus radio stations in Québec. The transaction with Corus was concluded on February 1, 2011. Pursuant to this acquisition, and as part of CRTC's decision on the Corporation's transfer application, the Corporation has put up for sale two radio stations acquired, CFEL-FM in the Québec City market and CJTS-FM in the Sherbrooke market. Accordingly, the assets and liabilities of the two acquired radio stations put up for sale have been classified as held for sale in the preliminary purchase price allocation presented below. In addition to the two acquired radio stations above, and also as part of the CRTC's decision, the Corporation has put up for sale radio station CJEC-FM, which it owned prior to the acquisition, in the Québec City market. Radio stations for which divestiture has been required by the CRTC, and the sale process, are managed by a trustee approved by the CRTC pursuant to a voting trust agreement.

On June 27, 2011, the Corporation's subsidiary, Cogeco Cable Inc., concluded an agreement to acquire all of the shares of Quiettouch Inc. ("Quiettouch"), a leading independent provider of outsourced managed information technology and infrastructure services to mid-market and larger enterprises in Canada. Quiettouch offers a full suite of differentiated services, including managed infrastructure and hosting, virtualization, firewall services, data backup with end-to-end monitoring and reporting, and enhanced and traditional collocation services. Quiettouch operates three data centers in Toronto and Vancouver, as well as a fiber network within key business areas of downtown Toronto. The transaction was completed August 2, 2011.

On August 31, 2011, the Corporation's subsidiary, Cogeco Cable Inc., concluded and completed an agreement to acquire all of the shares of MTO Telecom Inc. ("MTO"), the largest private telecommunications provider in the Greater Montreal Area and the Province of Quebec. MTO offers high-performance Ethernet broadband connectivity services to carrier, enterprise and public sector customers.

These acquisitions were accounted for using the purchase method. The results have been consolidated as of the acquisition date. The preliminary allocation of the purchase price of these acquisitions, pending the completion of the valuation of the net assets acquired, is as follows:

(In thousands of dollars)	$ Québec radio stations	$ Other	$ Total
Consideration			
Paid			
Purchase of shares	75,000	133,600	208,600
Preliminary working capital adjustment	–	(1,034)	(1,034)
Acquisition costs	1,723	1,111	2,834
	76,723	133,677	210,400
Promissory note payable(1)	5,000	–	5,000
Balance due on a business acquisition(2)	–	11,400	11,400
Investment previously accounted for	200	–	200
Working capital adjustment payable	4,000	–	4,000
Preliminary working capital adjustment payable	–	1,429	1,429
Acquisition costs payable	–	713	713
Acquisition costs previously recorded as deferred charges	436	–	436
	86,359	147,219	233,578
Net assets acquired			
Cash and cash equivalents	647	1,409	2,056
Accounts receivable	14,103	4,619	18,722
Income taxes receivable	189	–	189
Prepaid expenses and other	760	1,036	1,796
Current future income tax assets	1,303	–	1,303
Fixed assets	11,497	27,195	38,692
Deferred charges and other	13	615	628
Customer relationships	–	34,305	34,305
Broadcasting licenses	48,893	–	48,893
Goodwill	28,678	94,743	123,421
Long-term future income tax assets	678	–	678
Long-term assets held for sale	5,506	–	5,506
Accounts payable and accrued liabilities assumed	(9,942)	(3,626)	(13,568)
Current deferred and prepaid revenue	(379)	–	(379)
Current liabilities related to assets held for sale	(498)	–	(498)
Long-term deferred and prepaid revenue and other liabilities	(4,467)	(1,538)	(6,005)
Long-term future income tax liabilities	(10,132)	(11,539)	(21,671)
Long-term liabilities related to assets held for sale	(490)	–	(490)
	86,359	147,219	233,578

(1) Non-interest bearing and due on February 1, 2012.
(2) Bearing interest at bank prime rate plus 1% and payable in February 2013.

3. Segmented information

The Corporation's activities are divided into two business segments: Cable and other. The Cable segment is comprised of Cable Television, HSI, Telephony, managed information technology and infrastructure, and other telecommunications services, and the other segment is comprised of radio and head office activities, as well as eliminations. The Cable segment's activities are carried out in Canada and in Europe.

The principal financial information per business segment is presented in the table below:

	Cable		Other and eliminations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
(in thousands of dollars)	**$**	$	**$**	$	**$**	$
Revenue	**1,361,166**	1,281,376	**82,603**	40,318	**1,443,769**	1,321,694
Operating costs	**795,183**	771,280	**68,996**	31,075	**864,179**	802,355
Operating income before amortization	**565,983**	510,096	**13,607**	9,243	**579,590**	519,339
Amortization	**247,178**	258,871	**1,834**	586	**249,012**	259,457
Operating income	**318,805**	251,225	**11,773**	8,657	**330,578**	259,882
Financial expense	**71,629**	64,904	**2,451**	595	**74,080**	65,499
Impairment of goodwill and fixed assets	**225,873**	–	**–**	–	**225,873**	–
Income taxes	**68,969**	29,018	**3,023**	2,646	**71,992**	31,664
Gains on dilution resulting from the issuance of shares by a subsidiary	**(60)**	(26)	**–**	–	**(60)**	(26)
Non-controlling interest	**(32,328)**	106,481	**–**	–	**(32,328)**	106,481
Net income (loss)	**(15,278)**	50,848	**6,299**	5,416	**(8,979)**	56,264
Total assets	**2,735,500**	2,702,819	**161,754**	41,837	**2,897,254**	2,744,656
Fixed assets	**1,254,576**	1,325,077	**18,034**	3,789	**1,272,610**	1,328,866
Intangible assets	**1,047,189**	1,017,658	**74,233**	25,340	**1,121,422**	1,042,998
Goodwill	**210,986**	144,695	**28,678**	–	**239,664**	144,695
Acquisition of fixed assets[(1)]	**325,720**	309,049	**4,949**	844	**330,669**	309,893

(1) Includes capital leases that are excluded from the consolidated statements of cash flows.

The following tables set out certain geographic market information based on clients' locations:

(in thousands of dollars)	**2011** **$**	2010 $
Revenue		
Canada	**1,238,016**	1,133,938
Europe	**172,277**	187,756
	1,272,610	1,321,694

(In thousands of dollars)	**2011** **$**	2010 $
Fixed assets		
Canada	**1,235,990**	1,098,760
Europe	**34,594**	230,106
	1,270,584	1,328,866
Intangible assets		
Canada	**1,121.422**	1,042,998
Europe	**–**	–
	1,121,422	1,042,998
Goodwill		
Canada	**239,664**	116,243
Europe	**–**	28,452
	239,664	144,695

4. Amortization

(in thousands of dollars)	2011 $	2010 $
Fixed assets	233,504	243,931
Deferred charges	10,734	10,750
Intangible assets	4,774	4,776
	249,012	259,457

5. Financial expense

(in thousands of dollars)	2011 $	2010 $
Interest on long-term debt	70,249	63,048
Foreign exchange gains	(2,145)	(988)
Amortization of deferred transaction costs	1,887	2,398
Other	4,089	1,041
	74,080	65,499

6. Impairment of goodwill and fixed assets

(in thousands of dollars)	2011 $	2010 $
Impairment of goodwill	29,344	–
Impairment of fixed assets	196,529	–
	225,873	–

During the third quarter of fiscal 2011, the economic environment in Portugal continued to deteriorate, with the Country ultimately requiring financial assistance from the International Monetary Fund and the European Central Bank. As part of the negotiated financial assistance package, the Portuguese government has committed to financial reforms which include increases in sales and income taxes combined with reductions in government spending on social programs. These measures are expected to put further downwards pressure on consumer spending capacity. The rate of growth for our services has diminished in this environment, with net customer losses and service downgrades by customers in the European operations in the third quarter of fiscal year 2011. In accordance with current accounting standards, management considered that this situation combined with net customer losses in the third quarter, which were significantly more important and persistent than expected, will continue to negatively impact the financial results of the European operations and indicate a decrease in the value of the Cogeco Cable Inc's investment in the Portuguese subsidiary. As a result, the Corporation's subsidiary tested goodwill and all long-lived assets for impairment at May 31, 2011.

Goodwill is tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned exceeds the net carrying amount of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. The impairment loss is measured as the amount by which the carrying amount of the reporting unit's goodwill exceeds its fair value. The Corporation's subsidiary completed its impairment test on goodwill and concluded that goodwill was impaired at May 31, 2011. As a result, a non-cash impairment loss of $29.3 million was recorded in the third quarter of the 2011 fiscal year. Fair value of the reporting unit was determined using the discounted cash flow method. Future cash flows were based on internal forecasts and consequently, considerable management judgment was necessary to estimate future cash flows.

Long-lived assets with finite useful lives, such as fixed assets, are tested for impairment by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value. Accordingly, the Corporation's subsidiary completed its impairment test on the fixed assets of the Portuguese subsidiary at May 31, 2011, and determined that the carrying value of these assets exceeded the expected future undiscounted cash flows to be generated by these assets. As a result, a non-cash impairment loss of $196.5 million was recognized in the third quarter of the 2011 fiscal year.

7. Income taxes

(in thousands of dollars)	2011 $	2010 $
Current	**66,210**	(39,251)
Future	**5,782**	70,915
	71,992	31,664

The following table provides the reconciliation between income tax expense at the Canadian statutory federal and provincial income tax rates and the consolidated income tax expense:

(in thousands of dollars)	2011 $	2010 $
Income before income taxes	**30,625**	194,383
Combined income tax rate	**28.91%**	31.45%
Income taxes at combined income tax rate	**8,854**	61,133
Adjustments for losses or income subject to lower or higher tax rates	**(6,254)**	(9,779)
Decrease in future income taxes as a result of decrease in substantively enacted tax rates	**–**	(29,782)
Decrease in income tax recovery arising from the non-deductible impairment of goodwill and fixed assets	**59,856**	–
Utilization of pre-acquisition tax losses	**–**	4,432
Income taxes arising from non-deductible expenses	**658**	878
Effect of foreign income tax rate differences	**10,568**	6,117
Other	**(1,690)**	(1,335)
Income taxes at effective income tax rate	**71,992**	31,664

The following table presents the future income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes, as well as tax loss carryforwards:

(in thousands of dollars)	2011 $	2010 $
Fixed assets	**(88,606)**	(87,688)
Deferred charges	**(4,304)**	(6,415)
Intangible assets	**(155,654)**	(134,030)
Deferred and prepaid revenue	**5,682**	5,659
Share issuance costs	**–**	858
Partnerships income	**(86,801)**	(78,258)
Non-capital loss and other tax credit carryforwards, net of valuation allowance	**4,848**	2,833
Other	**7,584**	4,397
Net future income tax liabilities	**(317,251)**	(292,644)
Financial statement presentation		
Current future income tax assets	**5,350**	6,133
Long-term future income tax assets	**15,558**	18,189
Current future income tax liabilities	**(85,201)**	(78,267)
Long-term future income tax liabilities	**(252,958)**	(238,699)
Net future income tax liabilities	**(317,251)**	(292,644)

As at August 31, 2011, the Corporation and its Canadian subsidiaries had accumulated federal and provincial income tax losses amounting to approximately $18.5 million , the benefits of which have been recognized in these financial statements. These losses expire as follows:

	2026	2027	2028	2029	2030	2031
(in thousands of dollars)	$	$	$	$	$	$
	19	339	25	352	10,428	7,297

The Corporation's indirect subsidiary, Cabovisão, also has income tax losses amounting to approximately €73 million ($102.8 million), the benefits of which have not been recognized in these financial statements. These losses may be used to reduce future years' taxable income. In accordance with the Portuguese Companies Income Tax Code ("CIRC"), tax losses incurred in a financial year can be carried forward and deducted from taxable profits of one or more of the following six taxation years for tax losses incurred before 2010 and for the following four taxation years for tax losses incurred in 2010 and beyond. However, the CIRC provides for certain exceptions whereby the general rule stated above ceases to apply. One such exception is that tax losses cannot be deducted if the ownership of at least 50% of the social capital changes from the moment when the tax losses were generated, unless a request is filed before such change in the ownership takes place, subject to approval by the Portuguese tax authorities. To this effect, a request for preservation of tax losses for the years preceding the 2006 taxation year was filed by Cabovisão on July 28, 2006 and approved by the Portuguese tax authorities on November 25, 2009. As part of their review, the Portuguese tax authorities have audited Cabovisão's tax returns for the 2003 to 2005 taxation years, which have resulted in notices of assessment to reduce tax losses by €7.3 million in 2003, €29.6 million in 2004 and €17.1 million in 2005, respectively. However, Cabovisão does not agree with the assessments and has initiated legal proceedings against the Portuguese tax authorities. In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a four-year period. These periods can be extended or suspended when there are tax losses, tax benefits granted, tax inspections, claims or appeals in progress. Consequently, Cabovisão's tax returns for the taxation years 2006 to 2011 are still subject to review by the tax authorities and therefore, the amount of available tax losses could be significantly reduced based on past experience. These losses expire as follows:

	2012	2014	2015
(in thousands of dollars)	$	$	$
	50,978	18,714	33,085

8. Earnings (loss) per share

The following table provides the reconciliation between basic and diluted earnings (loss) per share:

	2011	2010
(in thousands of dollars, except number of shares and per share data)	**$**	$
Net income (loss)	**(8,979)**	56,264
Weighted average number of multiple voting and subordinate voting shares outstanding	**16,728,863**	16,726,135
Effect of dilutive stock options[(1)(2)]	**–**	10,681
Effect of dilutive subordinate voting shares held in trust under the Incentive Share Unit Plan[(1)]	**–**	67,837
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**16,728,863**	16,804,653
Earnings (loss) per share		
Basic	**(0.54)**	3.36
Diluted	**(0.54)**	3.35

(1) In 2011, no stock options (32,382 in 2010) were excluded from the calculation of diluted earnings (loss) per share as the exercise price of the options was greater than the average share market price of the subordinate voting shares.
(2) The weighted average dilutive number of subordinate voting shares which were anti-dilutive for the year ended August 31, 2011 amounted to 129,165 due to the net loss.

9. Fixed assets

(in thousands of dollars)	2011 $	2010 $
Cost		
Land	**6,686**	6,589
Buildings	**65,651**	52,925
Cable systems	**2,325,851**	1,966,175
Broadcasting, programming and production equipment	**68,906**	46,826
Home terminal devices	**416,309**	352,555
Rolling stock and equipment under capital leases	**22,030**	17,960
Other equipment	**104,095**	68,178
Leasehold improvements	**42,975**	24,566
	3,052,503	2,535,774
Accumulated amortization		
Buildings	**20,090**	14,108
Cable systems	**1,370,687**	925,151
Broadcasting, programming and production equipment	**29,023**	23,136
Home terminal devices	**277,029**	203,162
Rolling stock and equipment under capital leases	**14,753**	11,048
Other equipment	**55,166**	25,177
Leasehold improvements	**13,145**	5,126
	1,779,893	1,206,908
	1,272,610	1,328,866

10. Deferred charges

(in thousands of dollars)	2011 $	2010 $
Reconnect and additional service activation costs	**20,964**	20,813
Transaction costs	**5,258**	6,701
Other	**625**	446
	26,847	27,960

11. Goodwill and other intangible assets

(in thousands of dollars)	2011 $	2010 $
Customer relationships	**57,637**	28,106
Broadcasting licences	**74,013**	25,120
Customer base	**989,772**	989,772
	1,121,422	1,042,998
Goodwill	**239,664**	144,695
	1,361,086	1,187,693

A) Intangible assets

During fiscal years 2011 and 2010, intangible asset variations were as follows:

(in thousands of dollars)	**Customer relationships** $	**Broadcasting licences** $	**Customer base** $	**2011 Total** $
Balance, beginning of year	**28,106**	**25,120**	**989,772**	**1,042,998**
Business acquisitions (note 2)	**34,305**	**48,893**	**–**	**83,198**
Amortization	**(4,774)**	**–**	**–**	**(4,774)**
Balance, end of year	**57,637**	**74,013**	**989,772**	**1,121,422**

(in thousands of dollars)	Customer relationships $	Broadcasting licences $	Customer base $	2010 Total $
Balance, beginning of year	32,882	25,120	989,772	1,047,774
Amortization	(4,776)	–	–	(4,776)
Balance, end of year	28,106	25,120	989,772	1,042,998

At August 31, 2011 and 2010, the Corporation and its subsidiaries, Cogeco Cable Inc. and Cogeco Diffusion Acquisitions Inc., tested the value of customer base and broadcasting licences for impairment and concluded that no impairment existed.

B) Goodwill

During fiscal years 2011 and 2010, goodwill variation was as follows:

(in thousands of dollars)	**2011** $	2010 $
Balance, beginning of year	**144,695**	153,695
Business acquisitions (note 2)	**123,421**	–
Recognition of pre-acquisition tax losses	**–**	(4,432)
Impairment (note 6)	**(29,344)**	–
Foreign currency translation adjustment	**892**	(4,568)
Balance, end of year	**239,664**	144,695

On November 25, 2009, the Corporation's subsidiary, Cabovisão, received approval to its request for preservation of tax losses for the taxation years preceding the 2006 taxation year. Accordingly, the Corporation's subsidiary, Cogeco Cable Inc., has adjusted its allocation of the purchase price to reflect the recognition of additional tax losses incurred prior to the acquisition, in an amount not exceeding management's best estimate of the level of pre-acquisition tax losses that will be realized. This adjustment has reduced goodwill by approximately $4.4 million in the year ended August 31, 2010. Pending resolution of the litigations for taxation years 2003 to 2005 mentioned in note 7, the Corporation will review its estimate periodically to reflect currently available information and any additional recognition of pre-acquisition tax losses will be recorded as a reduction of goodwill.

At August 31, 2011 and 2010, the Corporation and its subsidiairies,, Cogeco Cable Inc. and Cogeco Diffusion Acquisitions Inc., tested the value of goodwill for impairment and concluded that no impairment existed.

12. Long-term debt

(in thousands of dollars)	Maturity	Interest rate %	2011 $	2010 $
Parent Corporation				
Term Revolving Facility [a)]	February 2014	3.35	**69,849**	–
Obligations under capital lease	November 2013	9.29	**52**	72
Subsidiaries				
Term Revolving Facility [b)]				
Revolving loan	July 2014	4.00[(1)]	**110,000**	–
Revolving loan — €nil (€90 million in 2010)	July 2014	2.63[(2)(3)]	–	121,635
Senior Secured Notes [c)]				
Series A – US$190 million	October 2015	7.00	**185,049**	201,387
Series B	October 2018	7.60	**54,646**	54,609
Senior Secured Debentures Series 1 [d)]	June 2014	5.95	**298,016**	297,379
Senior Secured Debentures Series 2 [e)]	November 2020	5.15	**198,400**	198,367
Senior Secured Notes Series B [f)]	October 2011	7.73	–	174,738
Senior Unsecured Debenture [g)]	March 2018	5.94	**99,827**	99,806
Obligations under capital leases	October 2013	6.71 – 9.93	**2,939**	5,429
Other	2011	–	**3**	15
			1,018,782	955,070
Less current portion			**2,119**	2,329
			1,016,663	952,741

(1) Interest rate on debt at August 31, 2011, including the applicable margin.
(2) Interest rate on debt at August 31, 2010, including the applicable margin.
(3) On January 21, 2009, the Corporation's subsidiary, Cogeco Cable Inc., entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to a portion of Euro-denominated loans outstanding under the Term Revolving Facility, and previously the Term Facility, for a notional amount of €111.5 million which has been reduced to €95.8 million on July 28, 2009 and to €69.6 million on July 28, 2010. The interest swap rate to hedge the Euro-denominated loans has been fixed at 2.08% until the settlement of the swap agreement on June 28, 2011.

a) The Corporation benefits from a Term Revolving Facility of up to $100 million with a group of financial institutions led by a large Canadian bank, which acts as agent for the banking syndicate. The Term Revolving Facility of up to $100 million includes a swingline limit of $7.5 million, is extendable by additional one-year periods on an annual basis, subject to lenders' approval, and if not extended, matures three years after its issuance or the last extension, as the case may be. The Term Revolving Facility is composed of two tranches of $50 million each, one of which was subject to the completion of the acquisition of Corus Québec radios stations and which became available on February 1, 2011 with the conclusion of the transaction. The Term Revolving Facility was extended at that same date and currently matures on February 1, 2014. The Term Revolving Facility can be repaid at any time without penalty. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, excluding the capital stock and assets of the Corporation's subsidiary, Cogeco Cable Inc., and guaranteed by its subsidiaries excluding Cogeco Cable Inc. Under the terms and conditions of the credit agreement, the Corporation must comply with certain restrictive covenants. Generally, the most significant restrictions are related to permitted investments, dividends on multiple and subordinate voting shares and reimbursement of long-term debt as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before amortization, financial expense, and total indebtedness. The Term Revolving Facility bears interest, at the Corporation's option, on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate or US base rate plus the applicable margin, and commitment fees are payable on the unused portion. At August 31, 2011, the Corporation was in compliance with all of its covenants.

b) The Corporation's subsidiary, Cogeco Cable Inc., benefits from a $750 million Term Revolving Facility with a group of financial institutions led by two large Canadian banks, which became effective on July 12, 2010. This Term Revolving Facility has an option to be increased up to $1 billion subject to lenders' participation. The Term Revolving Facility is available in Canadian, US or Euro currencies and includes a swingline of $25 million available in Canadian or US currencies. The Term Revolving Facility may be extended by additional one-year periods on an annual basis, subject to lenders' approval, and, if not extended, matures four years after its issuance or the last extension, as the case may be. The Term Revolving Facility can be repaid at any time without penalty. The Term Revolving Facility requires commitment fees, and interest rates are based on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate loan or US base rate loan plus the applicable margin. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provides for restrictions on the operations and activities of the Corporation's subsidiary, Cogeco Cable Inc. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to operating income before amortization, financial expense and total indebtedness. At August 31, 2011, the Corporation's subsidiary, Cogeco Cable Inc., was in compliance with all of its covenants.

c) On October 1, 2008, the Corporation's subsidiary, Cogeco Cable Inc., issued US$190 million Senior Secured Notes Series A maturing October 1, 2015, and $55 million Senior Secured Notes Series B maturing October 1, 2018, net of transaction costs of $2.1 million, for net proceeds of $255 million. The Senior Secured Notes Series B bear interest at the coupon rate of 7.60% per annum, payable semi-annually. Cogeco Cable Inc., has entered into cross-currency swap agreements to fix the liability for interest and principal payments on the Senior Secured Notes Series A in the amount of US$190 million, which bear interest at the coupon rate of 7.00% per annum, payable semi-annually. Taking into account these agreements, the effective interest rate on the Senior Secured Notes Series A is 7.24% and the exchange rate applicable to the principal portion of the US dollar-denominated debt has been fixed at $1.0625. The Senior Secured Notes are senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc., and certain of its subsidiaries. The notes are redeemable at the Corporation's subsidiary, option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.

d) On June 9, 2009, the Corporation's subsidiary, Cogeco Cable Inc., completed, pursuant to a public debt offering, the issue of $300 million Senior Secured Debentures Series 1, net of discounts and transactions costs of $3.3 million, for net proceeds of $296.7 million. The Senior Secured Debentures Series 1 are redeemable at the Corporation's subsidiary, option, in whole or in part, at the greater of par value or the Canada bond yield plus 0.875%. These debentures mature on June 9, 2014 and bear interest at 5.95% per annum, payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc., and certain of its subsidiaries.

e) On November 16, 2010 the Corporation's subsidiary, Cogeco Cable Inc., completed pursuant to a public debt offering, the issue of $200 million Senior Secured Debentures Series 2 for net proceeds of $198.3 million net of discounts and transaction costs. These debentures mature on November 16, 2020 and bear interest at 5.15% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation's subsidiary and certain of its subsidiaries.

f) The Senior Secured Notes Series B were senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. These notes were indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation's subsidiary, Cogeco Cable Inc., and certain of its subsidiaries. The notes were redeemable at the Corporation's subsidiary option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium. The Senior Secured Notes Series B were to mature on October 31, 2011 and had an interest coupon rate of 7.73% per annum, payable semi-annually. On December 22, 2010, the Corporation's subsidiary, Cogeco Cable Inc., redeemed the 7.73% Senior Secured Notes Series B in the aggregate principal amount of $175 million. As a result, the aggregate redemption cash consideration that the Corporation's subsidiary paid totalled $183.8 million excluding accrued interest. The excess of the redemption price over the aggregate principal amount was recorded as financial expense during the second quarter of fiscal 2011.

g) On March 5, 2008, the Corporation's subsidiary, Cogeco Cable Inc., issued a $100 million Senior Unsecured Debenture by way of a private placement, subject to usual market conditions. The debenture bears interest at a fixed rate of 5.936% per annum, payable semi-annually. The debenture matures on March 5, 2018 and is redeemable at the Corporation's subsidiary, option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.

h) Principal repayments due on long-term debt for the next five fiscal years, excluding those under capital leases, are as follows:

(in thousands of dollars)	2012 $	2013 $	2014 $	2015 $	2016 $	Thereafter $
	3	-	480,000	-	186,086	355,000

i) Minimum payments due under capital leases total $3,187,000 of which $196,000 represents financial expense, and are as follows:

(in thousands of dollars)	2012 $	2013 $	2014 $
	2,277	897	13

13. Capital stock

Authorized

Unlimited number of:

Preferred shares of first and second rank, issuable in series and non-voting, except when specified in the Articles of Incorporation of the Corporation or in the Law.

Multiple voting shares, 20 votes per share.

Subordinate voting shares, 1 vote per share.

Issued

(in thousands of dollars, except number of shares)	2011 $	2010 $
1,842,860 multiple voting shares	**12**	12
14,989,338 subordinate voting shares (14,959,338 in 2010)	**121,976**	121,347
	121,988	121,359
95,733 subordinate voting shares held in trust under the Incentive Share Unit Plan (71,862 in 2010)	**(2,670)**	(1,832)
	119,318	119,527

During the year, subordinate voting shares transactions were as follows:

	2011		2010	
(in thousands of dollars, except number of shares)	Number of shares	Amount $	Number of shares	Amount $
Balance, beginning of year	**14,959,338**	**121,347**	14,942,470	120,994
Shares issued for cash under the employee stock purchase plan and the stock option plan	**30,000**	**629**	16,868	353
Balance, end of year	**14,989,338**	**121,976**	14,959,338	121,347

During the year, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

	2011		2010	
(in thousands of dollars, except number of shares)	Number of shares	Amount $	Number of shares	Amount $
Balance, beginning of year	**71,862**	**1,832**	56,449	1,847
Subordinate voting shares acquired	**36,460**	**1,296**	41,571	1,049
Subordinate voting shares distributed to employees	**(12,589)**	**(458)**	(26,158)	(1,064)
Balance, end of year	**95,733**	**2,670**	71,862	1,832

Stock-based plans

The Corporation and its subsidiary, Cogeco Cable Inc., offer for the benefit of their employees and those of certain of their subsidiaries, Employee Stock Purchase Plans and Stock Option Plans for certain executives. Under these plans, no more than 10% of the outstanding subordinate voting shares are available. Furthermore, the Corporation and its subsidiary, Cogeco Cable Inc., offer Incentive Share Unit Plans for senior executive and designated employees.

Stock purchase plans

The Corporation and its subsidiary, Cogeco Cable Inc., offer, for the benefit of their employees and those of their subsidiaries, Employee Stock Purchase Plans, which have been modified effective January 1st, 2010. The new plans are accessible to all employees up to a maximum of 7% of their base annual salary and the Corporation and its subsidiary contributes 25% of the employee contributions. The subscriptions are made monthly and employee shares are purchased on the stock market. Prior to January 1st, 2010, the plans were accessible to all employees up to a maximum of 5% of their annual salary. The subscription date was December 31 and the subscription price was based on the average market price of the share of the last five business days of November less 10%.

Stock option plans

The Corporation and its subsidiary, Cogeco Cable Inc., offer for the benefit of certain executives Stock Option Plans. Under the plans' conditions, the minimum purchase price at which options are granted is not less than the fair value of such shares at the time the option is granted. Options granted after September 1st, 2009, vest 20% per year beginning one year after such options are granted and are exercisable over ten years. Prior to September 1st, 2009, options granted vest at the rate of 20% per year beginning the day such options are granted and are exercisable over ten years, except for conditional stock options granted in 2007, which vested equally over a period of three years beginning one year after the day such options were granted and are exercisable over ten years.

A total of 1,545,700 subordinate voting shares are reserved for the purpose of COGECO Inc.'s Stock Option Plan. During fiscal years 2011 and 2010, no stock options were granted to employees by COGECO Inc.

Under the plan, the following options were granted by the Corporation and are outstanding at August 31:

	2011 Options	2011 Weighted average exercise price	2010 Options	2010 Weighted average exercise price
		$		$
Outstanding, beginning of year	**62,382**	**29.54**	79,250	27.71
Exercised	**(30,000)**	**20.95**	(16,868)	20.95
Expired	**(32,382)**	**37.50**	–	–
Outstanding, end of year	**–**	**–**	62,382	29.54
Exercisable, end of year	**–**	**–**	62,382	29.54

A total of 2,400,000 subordinate voting shares are reserved for the purpose of Cogeco Cable Inc.'s Stock Option Plan. During fiscal year 2011, Cogeco Cable Inc. granted 71,090 stock options (66,174 in 2010) with an exercise price ranging from $39.00 to $44.00 ($31.82 to $38.86 in 2010), of which 35,800 stock options (33,266 in 2010) were granted to COGECO Inc.'s employees.

Under the plan, the following options were granted by Cogeco Cable Inc. and are outstanding at August 31:

	2011 Options	2011 Weighted average exercise price	2010 Options	2010 Weighted average exercise price
		$		$
Outstanding, beginning of year	**716,760**	**30.16**	716,745	30.37
Granted	**71,090**	**39.26**	66,174	32.08
Exercised	**(188,319)**	**25.17**	(17,911)	26.88
Forfeited	**(34,706)**	**41.12**	(37,850)	39.95
Cancelled(1)	**–**	**–**	(10,398)	26.63
Expired	**(448)**	**36.10**	–	–
Outstanding, end of year	**564,377**	**32.30**	716,760	30.16
Exercisable, end of year	**393,802**	**30.39**	507,811	28.28

(1) In fiscal year 2010, Cogeco Cable Inc. cancelled 10,398 conditional stock options as yearly financial objectives by the Portuguese subsidiary, Cabovisao, were not achieved.

At August 31, 2011, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of Cogeco Cable Inc.'s options are as follows:

	Options outstanding			Options exercisable	
Range of exercise prices $	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number exercisable	Weighted average exercise price $
15.70 to 16.80	20,222	2.18	16.38	20,222	16.38
21.50 to 26.63	199,860	4.71	25.59	199,860	25.59
28.95 to 34.46	207,996	6.80	32.26	117,868	31.83
36.10 to 45.59	69,573	9.07	39.50	2,209	45.25
49.82	66,726	6.15	49.82	53,643	49.82
	564,377	6.10	32.30	393,802	30.39

The Corporation and its subsidiary, Cogeco Cable Inc., recorded compensation expense for options granted on or after September 1, 2003. As a result, a compensation expense of $594,000 ($868,000 in 2010) was recorded for the year ended August 31, 2011.

The weighted average fair value of each option granted by Cogeco Cable Inc. was estimated on the grant date for purposes of determining stock-based compensation expense using the binomial option pricing model based on the following assumptions:

	2011 %	2010 %
Expected dividend yield	1.44	1.49
Expected volatility	29	29
Risk-free interest rate	2.05	2.67
Expected life in years	4.9	4.8

The fair value of stock options granted by Cogeco Cable Inc. for the year ended August 31, 2011 was $9.58 ($8.12 in 2010) per option.

For the purpose of compensation expense, stock-based compensation costs are amortized to expense on a straight-line basis over the vesting period, which is three to five years.

Incentive share unit plan

Effective October 13, 2006 and October 29, 2009, the Corporation and its subsidiary, Cogeco Cable Inc., established senior executive and designated employee Incentive Share Unit Plans ("ISU Plan"s) which, in effect, replace the Performance Unit Plans. According to the plans, senior executives and designated employees periodically receive a given number of Incentive Share Units ("ISUs") which entitled the participant to receive subordinate voting shares of the Corporation or its subsidiary after three years less one day from the date of grant. During the year, 36,460 and 61,724 (41,571 and 63,666 in 2010) ISUs were granted to the participants in connection with the ISU Plans by the Corporation and its subsidiary, respectively. The Corporation and its subsidiary establish the value of the compensation related to the units granted based on the fair value of the subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years less one day. Two trusts were created for the purpose of purchasing these shares on the stock exchange in order to guard against stock price fluctuation. The Corporation and its subsidiary instructed the trustees to purchase 36,460 and 59,503 (41,571 and 62,436 in 2010) subordinate voting shares of the Corporation and its subsidiary respectively on the stock market. These shares were purchased for cash considerations of $1,296,000 and $2,368,000 ($1,049,000 and $2,008,000 in 2010) and are held in trusts for participants until they are completely vested. The trusts, considered as variable interest entities, are consolidated in the Corporation's financial statements with the value of the acquired shares presented as subordinate voting shares held in trust under the ISU Plans in reduction of capital stock or non-controlling interest. A compensation expense of $2,383,000 ($1,300,000 in 2010) was recorded related to these plans.

Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at August 31:

	2011	2010
Outstanding, beginning of year	71,862	55,757
Granted	36,460	41,571
Distributed	(12,589)	(25,466)
Outstanding, end of year	95,733	71,862

Under Cogeco Cable Inc.'s ISU Plan, the following ISUs were granted and are outstanding at August 31:

	2011	2010
Outstanding, beginning of year	**57,409**	–
Granted	**61,724**	63,666
Distributed	**(13,184)**	(5,027)
Forfeited	**(885)**	(1,230)
Outstanding, end of year	**105,064**	57,409

Deferred share unit plans

The Corporation and its subsidiary, Cogeco Cable Inc., established Deferred Share Unit Plans ("DSU Plans") to assist in the attraction and retention of qualified individuals to serve on the Board of Directors ("Board") of the Corporation and its subsidiary. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of deferred share units ("DSUs") with the balance, if any, being paid in cash. The number of DSUs that a member is entitled to receive is based on the average closing price of the subordinate shares on the Toronto Stock Exchange for the twenty consecutive trading days immediately preceding the date preceding by one day the date of grant. Dividend equivalents are awarded with respect to DSUs in a member's account on the same basis as if the member was a shareholder of record of subordinate shares on the relevant record date, and the dividend equivalents are credited to the individual's account as additional DSUs. DSUs are redeemable upon an individual ceasing to be a member of the Board or in the event of the death of the member. During the year, 6,302 and 4,521 (6,987 and 4,422 in 2010) DSUs were issued to the participants in connection with the DSU Plans by the Corporation and its subsidiary, respectively. A compensation expense of $860,000 ($668,000 in 2010) was recorded related to these plans.

Under COGECO Inc.'s DSU Plan, the following DSUs were issued and are outstanding as at August 31:

	2011	2010
Outstanding, beginning of year	**21,630**	17,244
Issued	**6,302**	6,987
Dividend equivalents	**311**	285
Redeemed	**(5,828)**	(2,886)
Outstanding, end of year	**22,415**	21,630

Under Cogeco Cable Inc.'s DSU Plan, the following DSUs were issued and are outstanding at August 31:

	2011	2010
Outstanding, beginning of year	**10,855**	10,000
Issued	**4,521**	4,422
Dividend equivalents	**232**	169
Redeemed	**–**	(3,736)
Outstanding, end of year	**15,608**	10,855

14. Accumulated other comprehensive income

			2011			2010
	Translation of a net investment in self-sustaining foreign subsidiaries	**Cash flow hedges**	**Total**	Translation of a net investment in self-sustaining foreign subsidiaries	Cash flow hedges	Total
(in thousands of dollars)	**$**	**$**	**$**	$	$	$
Balance, beginning of year	**4,993**	**941**	**5,934**	7,634	(1,306)	6,328
Other comprehensive income (loss)	**1,075**	**(293)**	**782**	(2,641)	2,247	(394)
Balance, end of year	**6,068**	**648**	**6,716**	4,993	941	5,934

15. Statements of cash flows

A) Changes in non-cash operating items

(in thousands of dollars)	2011 $	2010 $
Accounts receivable	**(9,378)**	(9,998)
Income taxes receivable	**7,194**	(40,510)
Prepaid expenses and other	**2,104**	(206)
Accounts payable and accrued liabilities	**17,195**	3,443
Income tax liabilities	**59,855**	(40,688)
Deferred and prepaid revenue and other liabilities	**(1,859)**	11,076
	75,111	(76,883)

B) Fixed assets

During the year, fixed asset acquisitions amounted to $330,669,000 ($309,893,000 in 2010), none of which were acquired through capital leases ($141,000 in 2010). Disbursements for the acquisition of fixed assets totalled $330,669,000 ($309,752,000 in 2010).

C) Cash and cash equivalents

Cash and cash equivalents consist of:

(in thousands of dollars)	2011 $	2010 $
Cash	**50,995**	35,842
Cash equivalents[1]	**4,221**	–
	55,216	35,842

(1) At August 31, 2011, term deposit of €3 million, bearing interest at 0.65%, maturing on September 19, 2011.

D) Other information

(in thousands of dollars)	2011 $	2010 $
Financial expense paid	**73,813**	63,264
Income taxes paid (received)	**(343)**	43,037

16. Employee future benefits

The Corporation and its Canadian subsidiaries offer their employees contributory defined benefit pension plans, a defined contribution pension plan or collective registered retirement savings plans. With respect to the last two plans, the Corporation and its subsidiaries' obligations are limited to the payment of the monthly employer's portion. Expenses related to these two plans amounted to $5,446,000 in fiscal 2011 ($4,712,000 in 2010).

The Corporation and its subsidiaries sponsor a defined benefit pension plan for the benefit of its employees and a separate defined benefit pension plan for the benefit of its senior executives, which provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Corporation and its subsidiaries offer senior executives a supplementary pension plan. The Corporation measures plan assets at fair value and the accrued benefit obligation at August 31 of each year for all plans. The most recent actuarial valuation for the pension plan for the benefit of the employees was at August 31, 2010 and the next required valuations will be at August 31, 2011. For the senior executives' plans, the most recent actuarial valuation was at August 31, 2008, and the next required valuation will be at August 31, 2011.

The total cash amount paid or payable for employee future benefits for all plans, consisting of cash contributed by the Corporation and its subsidiaries to its funded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, and cash contributed to its defined contribution plans, totalled $9,360,000 for the year ended August 31, 2011 ($8,200,000 in 2010).

The following table provides a reconciliation of the change in the plan benefit obligations and plan assets at fair value and a statement of the funded status as at August 31:

(in thousands of dollars)	**2011** **$**	2010 $
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	**44,276**	36,880
Current service cost	**2,019**	1,616
Past service cost	**99**	208
Interest cost	**2,533**	2,390
Contributions by plan participants	**394**	395
Benefits paid	**(1,616)**	(1,360)
Actuarial loss on obligation	**6,758**	4,147
Accrued benefit obligation, end of year	**54,463**	44,276
Plan assets at fair value		
Plan assets at fair value, beginning of year	**21,729**	17,913
Actual return on plan assets	**367**	715
Contributions by plan participants	**394**	395
Employer contributions	**2,077**	4,066
Benefits paid	**(1,616)**	(1,360)
Plan assets at fair value, end of year	**22,951**	21,729
Funded status		
Plan assets at fair value	**22,951**	21,729
Accrued benefit obligation	**54,463**	44,276
Plan deficit	**31,512**	22,547
Unamortized actuarial losses	**(19,369)**	(12,777)
Unamortized past service cost	**(961)**	(990)
Net accrued benefit liability	**11,182**	8,780

The net accrued benefit liability is included in the Corporation's balance sheet under "Pension plans liabilities and accrued employee benefits".

(in thousands of dollars)	**2011** **$**	2010 $
Defined benefit pension costs		
Current service cost	**2,019**	1,616
Past service cost	**99**	208
Interest cost	**2,533**	2,390
Actual return on plan assets	**(367)**	(715)
Actuarial loss on obligation	**6,758**	4,147
Cost before adjustments to recognize the long-term nature of employee future benefits	**11,042**	7,646
Difference between past service cost and amortization of past service cost	**29**	(110)
Difference between expected return and actual return on plan assets	**(925)**	(500)
Difference between actuarial loss and amortization of net actuarial loss	**(5,667)**	(3,572)
Net benefit cost	**4,479**	3,464

Plan assets consist of:

	2011 **%**	2010 %
Equity securities	**61**	54
Debt securities	**38**	45
Other	**1**	1
Total	**100**	100

The significant weighted average assumptions used in measuring the Corporation's pension and other obligations are as follows:

	2011	2010
	%	%
Accrued benefit obligation		
Discount rate	**4.70**	5.50
Rate of compensation increase	**3.00**	3.25
Defined benefit pension costs		
Discount rate	**5.50**	6.25
Expected long-term rate of return on plan assets	**6.25**	6.75
Rate of compensation increase	**3.25**	4.50

17. Financial and capital management

A) Financial management

Management's objectives are to protect Cogeco Inc. and its subsidiaries against material economic exposures and variability of results, and against certain financial risks including credit risk, liquidity risk, interest rate risk and foreign exchange risk.

Credit risk

Credit risk represents the risk of financial loss for the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations. The Corporation is exposed to credit risk arising from the derivative financial instruments, cash and cash equivalents and trade accounts receivable, the maximum exposure of which is represented by the carrying amounts reported on the balance sheet.

Credit risk from the derivative financial instruments arises from the possibility that counterparties to the cross-currency swap agreements may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2011, management believes that the credit risk relating to its swaps is minimal, since the lowest credit rating of the counterparties to the agreements was A.

Cash and cash equivalents consist mainly of highly liquid investments, such as term deposits. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. In the current global economic environment, the Corporation's credit exposure is higher but it is difficult to predict the impact this could have on the Corporation's accounts receivable balances. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new major customer. At August 31, 2011, no customer balance represents a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout in its market area in Canada and Portugal, there is no significant concentration of credit risk. The following table provides further details on the Corporation's accounts receivable balances:

	2011	2010
(in thousands of dollars)	$	$
Trade accounts receivable	**98,950**	76,243
Allowance for doubtful accounts	**(8,725)**	(8,531)
	90,225	67,712
Other accounts receivable	**10,072**	6,848
	100,297	74,560

The following table provides further details on trade accounts receivable, net of allowance for doubtful accounts. Trade accounts receivable past due is defined as amount outstanding beyond normal credit terms and conditions for the respective customers. A large portion of Cogeco Cable Inc.'s customers are billed in advance and are required to pay before their services are rendered. The Corporation considers amount outstanding at the due date as trade accounts receivable past due.

	2011	2010
(in thousands of dollars)	**$**	$
Net trade accounts receivable not past due	**57,790**	46,291
Net trade accounts receivable past due	**32,435**	21,421
	90,225	67,712

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At August 31, 2011, the available amount of the Corporation's Term Facilities was $654.9 million. Management believes that the committed Term Facilities will, until their maturities in February 2014 and July 2014, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements.

The following table summarizes the contractual maturities of the financial liabilities and related capital amounts:

	2012	2013	2014	2015	2016	Thereafter	Total
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities(1)	268,039	–	–	–	–	–	268,039
Promissory note payable	5,000	–	–	–	–	–	5,000
Long-term debt(2)	3	–	480,000	–	186,086	355,000	1,021,089
Balance due on a business acquisition	–	11,400	–	–	–	–	11,400
Other liabilities	–	1,084	954	833	732	1,211	4,814
Derivative financial instruments							
Cash outflows (Canadian dollar)	–	–	–	–	201,875	–	201,875
Cash inflows (Canadian dollar equivalent of US dollar)	–	–	–	–	(186,086)	–	(186,086)
Obligations under capital leases(3)	2,277	897	13	–	–	–	3,187
	275,319	13,381	480,967	833	202,607	356,211	1,329,318

(1) Excluding accrued interest.
(2) Principal excluding obligations under capital leases.
(3) Including interest.

The following table is a summary of interest payable on long-term debt (excluding interest on capital leases) that are due for each of the next five years and thereafter, based on the principal and interest rate prevailing on the current debt at August 31, 2011 and their respective maturities:

	2012	2013	2014	2015	2016	Thereafter	Total
	$	$	$	$	$	$	$
Interest payments on long-term debt	58,034	58,034	56,118	33,442	26,929	68,672	301,229
Interest payments on derivative financial instruments	14,614	14,614	14,614	14,614	7,307	–	65,763
Interest receipts on derivative financial instruments	(13,026)	(13,026)	(13,026)	(13,026)	(6,513)	–	(58,617)
	59,622	59,622	57,706	35,030	27,723	68,672	308,375

Interest rate risk

The Corporation is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At August 31, 2011, all of the Corporation's long-term debt was at fixed rate, except for the Corporation's Term Facilities. The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the Term Revolving Facilities is approximately $1.8 million based on the current debt outstanding at August 31, 2011.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars. In order to mitigate this risk, the Corporation has established guidelines whereby currency swap agreements can be used to fix the exchange rates applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes. Accordingly, on October 2, 2008, the Corporation's subsidiary, Cogeco Cable Inc., entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes Series A issued on October 1, 2008. These agreements have the effect of converting the US interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625. The Corporation's subsidiary elected to apply cash flow hedge accounting on these derivative financial instruments.

The Corporation is also exposed to foreign exchange risk on cash and cash equivalents, bank indebtedness and accounts payable denominated in US dollars or Euros. At August 31, 2011, cash and cash equivalents denominated in US dollars amounted to US$8.8 million (US$13.6 million at August 31, 2010) while accounts payable denominated in US dollars amounted to US$30.9 million (US$15.9 million at August 31, 2010). At August 31, 2011, Euro-denominated cash and cash equivalents amounted to €353,000 (€187,000 at August 31, 2010). Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is usually not significant. The impact of a 10% change in the foreign exchange rates (US dollar and Euros) would change financial expense by approximately $2.1 million.

Furthermore, Cogeco Cable Inc.'s net investment in self-sustaining foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the Euro. This risk is mitigated since the major part of the purchase price for Cabovisão was borrowed directly in Euros. At August 31, 2011, the net investment amounted to €6.1 million (€182.1 million at August 31, 2010) while no long-term debt is denominated in Euros (€90 million at August 31, 2010). The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts at August 31, 2011 was $1.4071 per Euro compared to $1.3515 per Euro at August 31, 2010. The impact of a 10% change in the exchange rate of the Euro into Canadian dollars would change other comprehensive income by approximately $0.3 million net of non-controlling interest of $0.6 million.

Fair value

Fair value is the amount at which willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for debts of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The Corporation has determined the fair value of its financial instruments as follows:

b) Interest rates under the terms of the Corporation's Term Revolving Facilities are based on bankers' acceptance, LIBOR, EURIBOR, bank prime rate loan or US base rate loan plus the applicable margin. Therefore, the carrying value approximates fair value for the Term Revolving Facility, since the Term Revolving Facility has conditions similar to those available to the Corporation.

c) The fair value of the Senior Secured Debentures Series 1, Senior Secured Notes Series A and B and Senior Unsecured Debenture are based upon current trading values for similar financial instruments.

d) The fair values of obligations under capital leases are not significantly different from their carrying amounts.

The carrying value of all the Corporation's financial instruments approximates fair value, except as otherwise noted in the following table:

		2011		2010
	Carrying amount	**Estimated fair value**	Carrying amount	Estimated fair value
(in thousands of dollars)	**$**	**$**	$	$
Long-term debt	**1,018,782**	**1,096,987**	955,070	1,050,783

In accordance with CICA Handbook Section 3862, *Financial instruments – disclosures*, all financial instruments recognized at fair value on the consolidated balance sheet must be classified based on the three fair value hierarchy levels, which are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The Corporation considers that its derivative financial instruments are classified as Level 2 under the fair value hierarchy. The fair value of derivative financial instruments is estimated using valuation models that reflect projected future cash flows over contractual terms of the derivative financial instruments and factor observable in external markets data, such as interest and currency exchange rate curves.

B) Capital management

The Corporation's objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including growth opportunities. The Corporation manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. Management of the capital structure involves the issuance of new debt, the repayment of existing debts using cash generated by operations and the level of distribution to shareholders.

The capital structure of the Corporation is composed of shareholders' equity, bank indebtedness, long-term debt, balance due on a business acquisition, promissory note payable and assets or liabilities related to derivative financial instruments.

The provisions under the Term Revolving Facilities provide for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before amortization, financial expense and total indebtedness. At August 31, 2011 and 2010, the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

The following table summarizes certain of the key ratios used by management to monitor and manage the Corporation's capital structure:

	2011	2010
Net senior indebtedness[1] / operating income before amortization	**1.5**	1.6
Net indebtedness[2] / operating income before amortization	**1.7**	1.8
Operating income before amortization / financial expense	**7.8**	7.9

(1) Net senior indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Senior Unsecured Debenture.

(2) Net indebtedness is defined as the total of bank indebtedness, principal on long-term debt, balance due on a business acquisition, promissory note payable and obligations under derivative financial instruments, less cash and cash equivalents.

18. Commitments, contingencies and guarantees

Commitments

Lease agreements and other long-term contracts

As at August 31, 2011, the Corporation and its subsidiaries are committed under lease agreements and other long-term contracts to make annual payments as follows:

	2012	2013	2014	2015	2016	Thereafter
(in thousands of dollars)	$	$	$	$	$	$
Lease agreements	21,488	19,935	19,769	19,431	19,206	40,254
Other long term contracts	17,564	13,174	4,804	2,808	2,652	7,750
	39,052	33,109	24,573	22,239	21,858	48,004

Contingencies

The Corporation and its subsidiaries are involved in matters involving litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Corporation's exposure to litigation to be significant to these financial statements.

Guarantees

In the normal course of business, the Corporation and its subsidiaries enter into agreements containing features that meet the criteria of a guarantee including the following:

Stamp taxes and withholding taxes

During fiscal 2008, 2010, and 2011 the Corporation's subsidiary, Cogeco Cable Inc., issued letters of credit amounting to €1.7 million, €2.2 million and €6.8 million to guarantee the payment by Cabovisão of stamp taxes for the 2000 through 2002 years and stamp taxes and withholding taxes for the years 2005 and 2006 assessed by the Portuguese tax authorities, which are all currently being challenged by Cabovisão. Even though the principal amounts in dispute are recorded as necessary in the books of its subsidiary Cabovisão, the Corporation's subsidiary, Cogeco Cable Inc., may be required to pay the amounts following final judgements, up to a maximum aggregate amount of €10.6 million ($15 million), should Cabovisão fail to pay such required amounts.

Business acquisitions and asset disposals

In connection with the acquisition or sale of a business or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Corporation's subsidiaries, Cogeco Cable Inc. and Cogeco Diffusion Inc., have agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale. The term and amount of such indemnification will sometimes be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability required to be paid to guaranteed parties. In management's opinion, the likelihood that a significant liability will be incurred under these obligations is low. The Corporation has purchased directors' and officers' liability insurance with a deductible per loss. At August 31, 2011 and 2010, no liability has been recorded associated with these indemnifications.

Long-term debt

Under the terms of the Senior Secured Notes, the Corporation's subsidiary, Cogeco Cable Inc., has agreed to indemnify the other parties against changes in regulations relative to withholding taxes and costs incurred by the lenders due to changes in laws. These indemnifications extend for the term of the related financings and do not provide any limit on the maximum potential liability. The nature of the indemnification agreement prevents the Corporation from estimating the maximum potential liability it could be required to pay. At August 31, 2011 and 2010, no liability has been recorded associated with these indemnifications.

Employees and contractuals indemnification agreements

The Corporation's subsidiary, Cogeco Diffusion Acquisitions Inc., indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The claims covered by such indemnification are subject to statutory or other legal limitation periods. The nature of the indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Corporation has purchased employees' and contractual's liability insurance with a deductible per loss. At August 31, 2011 and 2010, no liability has been recorded associated with these indemnifications.

19. Non-monetary transactions

During fiscal year 2011, the Corporation's subsidiaries, Cogeco Cable Inc. and Cogeco Diffusion Acquisitions Inc., have entered into non-monetary transactions. An amount of $7,764,000 ($6,670,000 in 2010) of revenue and $7,416,000 ($6,354,000 in 2010) of operating costs were recorded.

20. Governmental assistance

In 2011, the Corporation's subsidiary Cogeco Cable Inc., recorded tax credits related to research and development costs in the amount of $790,000 ($921,000 in 2010). These credits were accounted for as a reduction of the fixed assets for an amount of $246,000 ($842,000 in 2010) and as a reduction of operating costs for an amount of $544,000 ($79,000 in 2010).

21. Assets held for sale

Pursuant to the acquisition of Corus Québec radio stations (see note 2), and as part of the CRTC's decision on the Corporation's transfer application, the Corporation has put up for sale two radio stations acquired in the transaction, CFEL-FM in the Québec City market and CJTS-FM in the Sherbrooke market. In addition to the two acquired radio stations above, and also as part of the CRTC's decision, the Corporation has put up for sale radio station CJEC-FM, which it owned prior to the acquisition, in the Québec City market. Radio stations for which divestiture has been required by the CRTC, and the sale process, is being managed by a trustee approved by the CRTC pursuant to a voting trust agreement. Accordingly, the assets and liabilities of the three radio stations put up for sale have been classified as held for sale as of February 1, 2011 in the Corporation's consolidated balance sheet.

The estimated fair value of assets and liabilities related to the three radio stations held for sale at August 31, 2011, were as follows:

	$
Accounts receivable	1,360
Prepaid expenses	5
Current assets held for sale	**1,365**
Fixed assets	2,171
Broadcasting licences	3,267
Goodwill	448
Long-term assets held for sale	**5,886**
Accounts payable and accrued liabilities	1,456
Income tax liabilities	247
Deferred and prepaid revenue	44
Current liabilities related to assets held for sale	**1,747**
Other long-term liabilities	38
Future income tax liabilities	480
Long-term liabilities related to assets held for sale	**518**

22. Subsequent event

2011 Federal budget

A Notice of Ways and Means Motion and Explanatory Notes to implement certain tax measures of the 2011 federal budget were tabled on October 3, 2011. The Motion received First Reading as part of Bill C-13, on October 4, 2011, resulting in measures limiting the tax deferrals for corporations with a significant interest in a partnership being considered substantively enacted from that day. Under the transitional relief measures, some income will be taxed over a period of five years rather than being taxed all in fiscal 2012. Decreasing income tax rates over the next five years will reduce the income tax expense by approximately $4 million in the first quarter of fiscal 2012.

23. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Consolidated financial statements

Consolidated financial statements

Management's responsibility

Related to the consolidated financial statements

The consolidated financial statements of Cogeco Cable Inc. (the "Corporation") and the financial information contained in this annual report are the responsibility of management. The consolidated financial statements include amounts determined by management based on estimates, which in their opinion are reasonable and fair. The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and have been approved by the Board of Directors. Operating and financial information used elsewhere in the annual report is consistent with that of the consolidated financial statements.

In fulfilling its responsibilities, management of Cogeco Cable Inc. and its subsidiaries has developed, and continues to improve administrative and accounting systems in order to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and maintains internal accounting controls to ensure that financial records are reliable for preparing the financial statements. The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, which reviews the annual consolidated financial statements of the Corporation and recommends their approval to the Board of Directors. The committee periodically meets with management and the external and internal auditors to discuss the results of the external and internal examinations and matters having an impact on financial information.

The external auditors appointed by the shareholders, Deloitte & Touche LLP, Chartered Accountants, are responsible for making an independent examination of the consolidated financial statements in accordance with Canadian Generally Accepted Auditing Standards and to issue an opinion on the statements. The external auditors have free access to the Audit Committee, with or without the presence of management. Their report follows.

Louis Audet
President and Chief Executive Officer

Pierre Gagné
Senior Vice-President and Chief Financial Officer

Montreal, October 26, 2011

Independent Auditor's Report

To the Shareholders of Cogeco Cable Inc.

We have audited the accompanying consolidated financial statements of Cogeco Cable Inc., which comprise the consolidated balance sheets as at August 31, 2011 and 2010, and the consolidated statements of income (loss), comprehensive income (loss), retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cogeco Cable Inc. as at August 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian Generally Accepted Accounting Principles.

Deloitte & Touche LLP[1]

October 26, 2011
Montreal, Canada

[1] Chartered accountant auditor permit No. 13556

Consolidated statements of income (loss)

Years ended August 31, *(In thousands of dollars, except per share data)*	2011 $	2010 $
Revenue		
Service	**1,350,352**	1,270,391
Equipment	**10,814**	10,985
	1,361,166	1,281,376
Operating costs	**786,011**	762,261
Management fees – COGECO Inc. (note 19)	**9,172**	9,019
Operating income before amortization	**565,983**	510,096
Amortization (note 4)	**247,178**	258,871
Operating income	**318,805**	251,225
Financial expense (note 5)	**71,629**	64,904
Impairment of goodwill and fixed assets (note 6)	**225,873**	–
Income before income taxes	**21,303**	186,321
Income taxes (note 7)	**68,969**	29,018
Net income (loss)	**(47,666)**	157,303

Earnings (loss) per share (note 8)		
Basic	**(0.98)**	3.24
Diluted	**(0.98)**	3.23

Consolidated statements of comprehensive income (loss)

Years ended August 31, *(in thousands of dollars)*	2011 $	2010 $
Net income (loss)	**(47,666)**	157,303
Other comprehensive income (loss)		
Unrealized gains (losses) on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $2,953,000 (income tax expense of $294,000 in 2010)	**(15,353)**	1,534
Reclassification to financial expense of unrealized losses on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $2,124,000	**14,425**	5,415
Unrealized gains (losses) on translation of a net investment in self-sustaining foreign subsidiaries	**7,248**	(37,389)
Unrealized gains (losses) on translation of long-term debts designated as hedges of a net investment in self-sustaining foreign subsidiaries	**(3,903)**	29,218
	2,417	(1,222)
Comprehensive income (loss)	**(45,249)**	156,081

Consolidated statements of retained earnings

Years ended August 31, *(In thousands of dollars)*	2011 $	2010 $
Balance as reported, beginning of year	**123,025**	17,172
Changes in accounting policies (note 1 B))	**–**	(24,279)
Balance as restated, beginning of year	**123,025**	(7,107)
Net income (loss)	**(47,666)**	157,303
Excess of the value attributed to the incentive share units at issuance over the price paid for the acquisition of the subordinate voting shares	**11**	–
Dividends on multiple voting shares	**(11,139)**	(8,787)
Dividends on subordinate voting shares	**(23,355)**	(18,384)
Balance, end of year	**40,876**	123,025

Consolidated balance sheet

At August 31, *(In thousands of dollars)*	2011 $	2010 $
Assets		
Current		
Cash and cash equivalents (note 15 C))	**55,447**	35,842
Accounts receivable (note 17)	**74,754**	67,064
Income taxes receivable	**38,360**	44,800
Prepaid expenses and other	**12,856**	13,669
Future income tax assets (note 7)	**4,168**	6,133
	185,585	167,508
Fixed assets (note 9)	**1,254,576**	1,325,077
Deferred charges (note 10)	**26,101**	26,974
Intangible assets (note 11)	**1,047,189**	1,017,658
Goodwill (note 11)	**210,986**	144,695
Derivative financial instruments	**–**	5,085
Future income tax assets (note 7)	**11,063**	15,822
	2,735,500	2,702,819

Liabilities and shareholders' equity		
Liabilities		
Current		
Accounts payable and accrued liabilities	**255,014**	235,087
Income tax liabilities	**59,356**	558
Deferred and prepaid revenue	**43,128**	45,602
Derivative financial instrument	**–**	1,189
Current portion of long-term debt (note 12)	**2,094**	2,296
Future income tax liabilities (note 7)	**85,201**	78,267
	444,793	362,999
Long-term debt (note 12)	**946,783**	952,687
Balance due on a business acquisition (note 2)	**11,400**	–
Derivative financial instruments	**14,408**	–
Deferred and prepaid revenue and other liabilities	**14,576**	12,234
Pension plans liabilities and accrued employee benefits (note 16)	**4,302**	3,624
Future income tax liabilities (note 7)	**238,193**	234,974
	1,674,455	1,566,518
Commitments, contingencies and guarantees (note 18)		
Shareholders' equity		
Capital stock (note 13)	**992,922**	988,830
Contributed surplus	**6,471**	6,087
Retained earnings	**40,876**	123,025
Accumulated other comprehensive income (note 14)	**20,776**	18,359
	1,061,045	1,136,301
	2,735,500	2,702,819

On behalf of the Board of Directors,

Jan Peeters
Director

L. G. Serge Gadbois
Director

Consolidated statements of cash flows

Years ended August 31, *(In thousands of dollars)*	2011 $	2010 $
Cash flow from operating activities		
Net income (loss)	**(47,666)**	157,303
Adjustments for:		
Amortization (note 4)	**247,178**	258,871
Amortization of deferred transaction costs and discounts on long-term debt	**2,913**	3,786
Impairment of goodwill and fixed assets (note 6)	**225,873**	–
Future income taxes	**6,171**	69,877
Stock-based compensation (note 13)	**2,452**	1,653
Loss on disposals and write-offs of fixed assets	**2,459**	2,932
Other	**969**	392
	440,349	494,814
Changes in non-cash operating items (note 15 A))	**74,973**	(77,530)
	515,322	417,284
Cash flow from investing activities		
Acquisition of fixed assets (note 15 B))	**(325,720)**	(308,908)
Increase in deferred charges	**(10,872)**	(10,633)
Business acquisitions, net of cash and cash equivalents acquired (note 2)	**(132,268)**	–
Other	**341**	168
	(468,519)	(319,373)
Cash flow from financing activities		
Net repayments under the Term Facility and Term Revolving Facility	**(16,169)**	(62,366)
Issuance of long-term debt, net of discounts and transaction costs	**198,295**	–
Repayments of long-term debt	**(177,790)**	(3,881)
Increase in deferred transaction costs	**–**	(5,238)
Issuance of subordinate voting shares (note 13)	**4,740**	481
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 13)	**(2,368)**	(2,008)
Dividends on multiple voting shares	**(11,139)**	(8,787)
Dividends on subordinate voting shares	**(23,355)**	(18,384)
	(27,786)	(100,183)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**588**	(1,344)
Net change in cash and cash equivalents	**19,605**	(3,616)
Cash and cash equivalents, beginning of year	**35,842**	39,458
Cash and cash equivalents, end of year	**55,447**	35,842

See supplemental cash flow information in note 15.

Notes to the consolidated financial statements

Years ended August 31, 2011 and 2010

Nature of operations

Cogeco Cable Inc. (the "Corporation") is a Canadian public corporation whose shares are listed on the Toronto Stock Exchange ("TSX"). The Corporation's core business is providing Cable Television, High Speed Internet ("HSI"), Telephony, managed information technology and infrastructure, and other telecommunications services to its residential and commercial customers in Canada and in Portugal.

1. Significant accounting policies

The consolidated financial statements are prepared in conformity with Canadian Generally Accepted Accounting Principles ("GAAP").

A) Consolidation principles

The consolidated financial statements include the accounts of the Corporation and its subsidiaries as well as those of a variable interest entity for which the Corporation is the primary beneficiary. Business acquisitions are accounted for under the purchase method and operating results are included in the consolidated financial statements as of the date of the acquisition of control. Other investments are recorded at cost.

B) Recent accounting pronouncements and changes in accounting policies

Adopted during fiscal 2010

i. Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. The new section established standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remained unchanged from the standards included in the previous Section 3062. The new section was applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with retroactive application. The adoption of Section 3064 resulted in the elimination of the deferral of new service launch costs which are now recognized as operating costs when they are incurred. Reconnect and additional service activation costs are capitalized up to an amount not exceeding the revenue generated by the reconnect activity. The retroactive adoption of Section 3064 reduced the fiscal year 2010 opening retained earnings by an amount of $24.3 million.

ii. Financial instrument disclosures

In 2009, the Canadian Accounting Standards Board ("AcSB") amended CICA Handbook Section 3862, *Financial instruments – disclosures*, to require enhanced disclosures about the relative reliability of the data, or inputs, that an entity uses in measuring the fair values of its financial instruments. The new requirements are effective for annual financial statements for fiscal years ending after September 30, 2009. The adoption of this amendment did not have any impact on the classification and measurement of the Corporation's financial instruments. The new disclosures pursuant to this amendment are included in note 17 of the Corporation's consolidated financial statements.

Future accounting pronouncements

iii. Harmonization of Canadian and international accounting standards

In March 2006, the AcSB of the CICA released its new strategic plan, which proposed to abandon Canadian GAAP and effect a complete convergence to the International Financial Reporting Standards ("IFRS") for Canadian publicly accountable entities. This plan was confirmed in subsequent exposure drafts issued in April 2008, March 2009 and October 2009. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Corporation's first interim consolidated financial statements presented in accordance with IFRS will be for the three-month period ending November 30, 2011, and its first annual consolidated financial statements presented in accordance with IFRS will be for the year ending August 31, 2012.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. The Corporation has established a project team including representatives from various areas of the organization to plan and complete the transition to IFRS. This team reports periodically to the Audit Committee, which oversees the IFRS implementation project on behalf of the Board of Directors. The Corporation is assisted by external advisors as required.

The Corporation's project for the transition from Canadian GAAP to IFRS is progressing according to the established plan in order to meet the target date for migration.

iv. Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook section 1582, *Business combinations*, which replaces section 1581 of the same name, and Sections 1601, *Consolidated Financial Statements* and 1602, *Non-controlling interests*, which together replace section 1600, *Consolidated Financial Statements*. These new sections harmonize significant aspects of Canadian accounting standards with the IFRS that will be mandated for publicly accountable entities with fiscal years beginning on or after January 1, 2011.

Section 1582 requires that all business acquisitions be measured at the fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date, and expands the definition of a business subject to an acquisition. The section also establishes new guidance on the measurement of consideration given and the recognition and measurement of assets acquired and liabilities assumed in a business combination. Furthermore, under this new guidance, acquisition costs, which were previously included as a component of the consideration given, and any negative goodwill resulting from the allocation of the purchase price, which was allocated as a reduction of non-current assets acquired under the previous standard, will be recorded in earnings in the current period. This new section will be applied prospectively and will only impact the Corporation's consolidated financial statements for future acquisitions concluded in periods subsequent to the date of adoption.

Sections 1601 and 1602 dealing with consolidated financial statements require an entity to measure non-controlling interest upon acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new sections also require non-controlling interest to be presented as a separate component of shareholders' equity.

The new standards will apply as of the beginning of the first annual reporting period beginning on or after January 1, 2011, with simultaneous early adoption permitted. Early adoption may reduce the amount of restatement required upon conversion to IFRS. The Corporation has elected not to early-adopt these sections, and in light of the adoption of International accounting standards taking effect at that same date, these sections will not be applicable to the Corporation.

v. Multiple deliverable revenue arrangements

In December 2009, the Emerging Issues Committee ("EIC") of the Canadian AcSB issued a new abstract concerning multiple deliverable revenue arrangements, EIC-175, *Multiple deliverable revenue arrangements*, which amended EIC-142, *Revenue arrangements with multiple deliverables*. EIC-175 requires a vendor to allocate arrangement consideration at the inception of the arrangement to all deliverables using the relative selling price method, thereby eliminating the use of the residual value method. The amendment also changes the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. EIC-175 should be adopted prospectively to revenue arrangements entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011, with early adoption permitted. The Corporation has elected not to early adopt this EIC, and in light of the adoption of International accounting standards taking effect at the same date, this EIC will not be applicable to the Corporation.

C) Revenue recognition

The Corporation considers revenue to be earned as services are rendered, provided that ultimate collection is reasonably assured. The Corporation earns revenue from several sources. The recognition of revenue from the principal sources is as follows:

- Revenue from Cable Television, HSI, Telephony, managed information technology and infrastructure, and other telecommunications services are recognized when services are rendered;
- Revenue generated from sales of home terminal devices is recorded as equipment revenue upon activation of services as management considers the sale of home terminal devices as a single unit of accounting of a multiple element arrangement;
- Installation revenue is deferred and amortized over the average life of a customer's subscription for residential customers, not exceeding four years, and over the term of the contract for business customers. Management considers that installation revenue is part of a multiple element arrangement and has no standalone value. Accordingly, installation revenue is deferred and amortized at the same pace as revenue from Cable Television, HSI, Telephony, managed information technology and infrastructure, and other telecommunications services are earned;
- Promotional offers are accounted for as deductions from revenue when customers take advantage of such offers.

Amounts received or invoiced that do not comply with these criteria are accounted for as deferred and prepaid revenue.

D) Fixed assets

Fixed assets are recorded at cost. During construction of new assets, direct costs plus a portion of overhead costs directly attributable are capitalized. Financial expense during construction is expensed in the year in which it is incurred. Amortization is recorded from the date the assets are placed in services mainly on a straight-line basis over the estimated useful lives over the following periods:

Buildings	10 to 40 years
Cable systems	4 to 20 years
Equipment, programming equipment, furniture and fixtures	3 to 10 years
Home terminal devices	3 to 5 years
Rolling stock and equipment under capital leases	5 years
Other equipment	3 to 10 years
Leasehold improvements	Lease term

The Corporation reviews, when a triggering event occurs, the carrying value of its fixed assets by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. The impairment loss is measured as the amount by which the asset or group of assets' carrying amount exceeds its fair value.

Legal obligations associated with site restoration costs on the retirement of property are recognized in the period in which they can be reasonably estimated based on currently available information. The obligations are initially measured at fair value and an equal amount is recorded to fixed assets. Over time, the discounted asset retirement obligations accrete due to the increase in the fair value resulting from the passage of time. This accretion amount is charged to operating costs. The initial costs are depreciated over the useful lives of the related fixed assets or the remaining leasehold engagements when applicable. The Corporation does not record an asset retirement obligation in connection with its cable systems as the Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date relating to these assets undeterminable.

E) Deferred charges

Deferred charges include reconnect and additional service activation costs and transaction costs. Reconnect and additional service activation costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity. Reconnect and additional service activation costs are amortized over the average life of a customer's subscription, not exceeding four years. Transaction costs on the revolving loan and the swingline facility are amortized over the term of the related financing on a straight-line basis.

F) Intangible assets

Intangible assets with finite useful lives, such as customer relationships, are recorded at cost and amortized on a straight-line basis over the average life of a business customer's subscription, which is eight years. The Corporation reviews, when a triggering event occurs, the carrying value of its intangible assets with finite useful lives by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. The impairment loss is measured as the amount by which the asset or group of assets' carrying amount exceeds its fair value. Any impairment loss is charged to earnings in the period in which the loss occurred.

Intangible assets with indefinite useful lives, such as customer base, are not amortized, but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. In conducting impairment testing, the Corporation compares the carrying value to the sum of the expected future discounted cash flows. When the impairment test indicates that the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. Any impairment loss is charged to earnings in the period in which the loss occurred.

G) Goodwill

Goodwill represents the difference between the price paid and the fair value attributed to tangible and intangible assets upon the acquisition of cable and telecommunications systems. Goodwill is not amortized but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. Goodwill is tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned exceeds the net carrying value of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. The impairment loss is measured as the amount by which the carrying amount of the reporting unit's goodwill exceeds its fair value. Any impairment loss is charged to earnings in the period in which the loss is incurred. The Corporation uses the discounted cash flow method to determine the fair value of reporting units.

H) Income taxes

Income taxes are accounted for under the asset and liability method. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax asset will be realized.

I) Stock-based compensation

The Corporation measures stock options granted to employees based on the fair value at the grant date by using the binomial pricing model and a compensation expense is recognized on a straight-line basis over the vesting period, which is three to five years, with a corresponding increase in contributed surplus. When the stock options are exercised, capital stock is credited by the sum of the consideration received and the related portion previously recorded in contributed surplus.

The Corporation measures incentive share units granted to employees based on the fair value of the Corporation's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years less one day, with a corresponding increase in contributed surplus.

The Deferred Share Unit Plan of the Corporation is recognized as a compensation expense and as an accrued liability as of the date units are awarded to officers. The accrued liability is re-measured at the end of each reporting period, until settlement, using the average closing price of the subordinate voting shares on the Toronto Stock Exchange for the twenty consecutive trading days immediately preceding by one day the closing date of the reporting period.

J) Employee future benefits

Pension costs, recorded in operating costs, related to the defined contribution pension plan and the collective registered retirement savings plans are equivalent to the contributions that the Corporation is required to make in exchange for services rendered by employees.

Pension costs for defined benefit pension plans are determined using actuarial methods and are funded through contributions determined in accordance with the projected benefit method prorated on service. Pension expense is charged to operating costs and includes:

- The cost of pension benefits provided in exchange for employees' services rendered during the year;
- The amortization of past service costs and amendments over the expected average remaining service life of the active employee group covered by the plans, which is seven to nine years; and
- The interest cost of pension obligations, the expected rate of return on pension fund assets and the amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the benefit obligation or fair value of plan assets over the expected average remaining service life of the active employee group covered by the plans, which is seven to nine years. The Corporation uses the fair value of plan assets to evaluate plan assets for the purpose of calculating the expected return on plan assets.

K) Non-monetary transactions

In the normal course of its business, the Corporation enters into non-monetary transactions under which services are acquired in exchange for other services. Non-monetary transactions with commercial substance, which would otherwise be payable in cash, are accounted for at their fair value.

L) Foreign currency translation

Financial statements of self-sustaining foreign subsidiaries are translated into Canadian dollars using the exchange rate in effect at the balance sheet date for asset and liability items, and using the average exchange rates during the period for revenue and expenses. Adjustments arising from this translation are deferred and recorded in the foreign currency translation adjustment in accumulated other comprehensive income, and are included in income only when a reduction in the investment in these foreign subsidiaries is realized.

Other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenue and expenses are translated at the average exchange rates prevailing during the period except for transactions being hedged, which are translated using the terms of the hedges. Amounts payable or receivable on cross-currency swap agreements, all of which are used to hedge foreign currency debt obligations, are recorded concurrently with the unrealized gains and losses on the obligations being hedged. Other foreign exchange gains and losses are recognized as financial expense, except for unrealized foreign exchange gains and losses on foreign-denominated long-term debt that is designated as a hedge of a net investment in self-sustaining foreign subsidiaries, which are included in the foreign currency translation adjustment in accumulated other comprehensive income, net of income taxes.

M) Financial instruments

Classification, recognition and measurement

All of the Corporation's financial assets are classified as held-for-trading or loans and receivables. The Corporation has classified its cash and cash equivalents as held-for-trading. Held-for-trading assets and liabilities are carried at fair value on the consolidated balance sheet, with changes in fair value recorded in the consolidated statements of income. Accounts receivable have been classified as loans and receivables. All of the Corporation's financial liabilities are classified as other liabilities, except for the cross-currency swap and interest rate swap agreements. Loans and receivables instruments and all financial liabilities, except for the cross-currency swap and interest rate swap agreements, are carried at amortized cost using the effective interest rate method. The Corporation has determined that none of its financial assets are classified as available-for-sale or held-to-maturity.

Transaction costs

Transaction costs are capitalized on initial recognition and presented as a reduction of the related financing, except for transaction costs on the revolving loan and the swingline facility, which are presented as deferred charges. These costs are amortized over the term of the related financing using the effective interest rate method, except for transaction costs on the revolving loan and the swingline facility, which are amortized over the term of the related financing on a straight-line basis.

Derivative financial instruments and hedge accounting

The Corporation uses cross-currency swap and interest rate swap agreements as derivative financial instruments to manage risk of fluctuation in interest and foreign exchange rates related to its long term debt. All derivatives are measured at fair value with changes in fair value recorded in the consolidated statements of income unless they are effective cash flow hedging instruments. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income, to the extent effective, until the variability of cash flows relating to the hedged asset or liability is recognized in the consolidated statements of income. Any hedge ineffectiveness is recognized in the consolidated statements of income immediately. Accordingly, the Corporation's cross-currency swap and interest rate swap agreements must be measured at fair value in the consolidated financial statements. Since these cross-currency swap and interest rate swap agreements are used to hedge cash flows on Senior Secured Notes Series A denominated in US dollars and a portion of Euro-denominated loans outstanding under the Term Revolving Facility, and previously the Term Facility, the changes in fair value are recorded in other comprehensive income. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Net receipts or payments arising from cross-currency and interest rate swap agreements are recognized as financial expense.

Embedded derivatives

All embedded derivatives that are not closely related to the host contracts are measured at fair value, with changes in fair value recorded in the consolidated statements of income. At August 31, 2011 and 2010, there were no significant embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated balance sheets.

N) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments that have an original maturity of three months or less.

O) Use of estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenue and expenses during the reporting year. Significant areas requiring the use of management estimates relate to the determination of pension plan liabilities and accrued employee benefits, the determination of accrued liabilities, the determination of allowance for doubtful accounts, the determination of the fair value of assets acquired and liabilities assumed in business combinations, the evaluation of the carrying amount of home terminal devices, the useful lives of assets for amortization, the determination of whether a triggering event has occurred and of future cash flows for the purpose of impairment testing on fixed assets, goodwill and intangible assets with finite and indefinite useful lives, the discount rate used for the purpose of impairment testing on goodwill and intangible assets with indefinite useful lives, the provision for income taxes and determination of future income tax assets and liabilities and utilization thereof, and the determination of the fair value of financial instruments, including all derivative financial instruments. Actual results could differ from these estimates.

2. Business acquisitions

On June 27, 2011, the Corporation concluded an agreement to acquire all of the shares of Quiettouch Inc. ("Quiettouch"), a leading independent provider of outsourced managed information technology and infrastructure services to mid-market and larger enterprises in Canada. Quiettouch offers a full suite of differentiated services, including managed infrastructure and hosting, virtualization, firewall services, data backup with end-to-end monitoring and reporting, and enhanced and traditional collocation services. Quiettouch operates three data centers in Toronto and Vancouver, as well as a fiber network within key business areas of downtown Toronto. The transaction was completed August 2, 2011.

On August 31, 2011, the Corporation concluded and completed an agreement to acquire all of the shares of MTO Telecom Inc. ("MTO"), the largest private telecommunications provider in the Greater Montreal Area and the Province of Quebec. MTO offers high-performance Ethernet broadband connectivity services to carrier, enterprise and public sector customers.

These acquisitions were accounted for using the purchase method. The results have been consolidated as of the acquisition date. The preliminary allocation of the purchase price of these acquisitions, pending the completion of the valuation of the net assets acquired, is as follows:

(In thousands of dollars)	$
Consideration	
Paid	
Purchase of shares	**133,600**
Preliminary working capital adjustment	**(1,034)**
Acquisition costs	**1,111**
	133,677
Balance due on a business acquisition(1)	**11,400**
Preliminary working capital adjustment payable	**1,429**
Acquisition costs payable	**713**
	147,219
Net assets acquired	
Cash and cash equivalents	**1,409**
Accounts receivable	**4,619**
Prepaid expenses and other	**1,036**
Fixed assets	**27,195**
Deferred charges	**615**
Customer relationships	**34,305**
Goodwill	**94,743**
Accounts payable and accrued liabilities assumed	**(3,626)**
Deferred and prepaid revenue	**(1,538)**
Long-term future income tax liabilities	**(11,539)**
	147,219

(1) Bearing interest at bank prime rate plus 1% and payable in February 2013.

3. Segmented information

The Corporation's activities are comprised of Cable Television, HSI, Telephony and other telecommunications services. The Corporation considers its Cable Television, HSI, Telephony, managed information technology and infrastructure, and other telecommunications activities as a single operating segment. The Corporation's activities are carried out in Canada and in Europe.

The principal financial information per business segment is presented in the table below:

	Canada		Europe		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
(in thousands of dollars)	**$**	$	**$**	$	**$**	$
Revenue	**1,188,889**	1,093,620	**172,277**	187,756	**1,361,166**	1,281,376
Operating costs	**634,749**	607,072	**151,262**	155,189	**786,011**	762,261
Management fees – COGECO Inc.	**9,172**	9,019	**–**	–	**9,172**	9,019
Operating income before amortization	**544,968**	477,529	**21,015**	32,567	**565,983**	510,096
Amortization	**206,763**	187,273	**40,415**	71,598	**247,178**	258,871
Operating income (loss)	**338,205**	290,256	**(19,400)**	(39,031)	**318,805**	251,225
Financial expense (revenue)	**71,703**	65,519	**(74)**	(615)	**71,629**	64,904
Impairment of goodwill and fixed assets	**–**	–	**225,873**	–	**225,873**	–
Income taxes	**69,432**	30,574	**(463)**	(1,556)	**68,969**	29,018
Net income (loss)	**197,070**	194,163	**(244,736)**	(36,860)	**(47,666)**	157,303
Total assets	**2,675,878**	2,407,059	**59,622**	295,760	**2,735,500**	2,702,819
Fixed assets	**1,219,982**	1,094,971	**34,594**	230,106	**1,254,576**	1,325,077
Intangible assets	**1,047,189**	1,017,658	**–**	–	**1,047,189**	1,017,658
Goodwill	**210,986**	116,243	**–**	28,452	**210,986**	144,695
Acquisition of fixed assets[(1)]	**291,128**	257,321	**34,592**	51,728	**325,720**	309,049

(1) Includes fixed assets acquired through capital leases that are excluded from the consolidated statements of cash flows.

4. Amortization

	2011	2010
(in thousands of dollars)	**$**	$
Fixed assets	**231,683**	243,345
Deferred charges	**10,721**	10,750
Intangible assets	**4,774**	4,776
	247,178	258,871

5. Financial expense

	2011	2010
(in thousands of dollars)	**$**	$
Interest on long-term debt	**68,863**	62,800
Foreign exchange gains	**(2,145)**	(988)
Amortization of deferred transaction costs	**1,639**	2,366
Other	**3,272**	726
	71,629	64,904

Consolidated financial statements

Consolidated financial statements

Management's responsibility

Related to the consolidated financial statements

The consolidated financial statements of Cogeco Cable Inc. (the "Corporation") and the financial information contained in this annual report are the responsibility of management. The consolidated financial statements include amounts determined by management based on estimates, which in their opinion are reasonable and fair. The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and have been approved by the Board of Directors. Operating and financial information used elsewhere in the annual report is consistent with that of the consolidated financial statements.

In fulfilling its responsibilities, management of Cogeco Cable Inc. and its subsidiaries has developed, and continues to improve administrative and accounting systems in order to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and maintains internal accounting controls to ensure that financial records are reliable for preparing the financial statements. The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, which reviews the annual consolidated financial statements of the Corporation and recommends their approval to the Board of Directors. The committee periodically meets with management and the external and internal auditors to discuss the results of the external and internal examinations and matters having an impact on financial information.

The external auditors appointed by the shareholders, Deloitte & Touche LLP, Chartered Accountants, are responsible for making an independent examination of the consolidated financial statements in accordance with Canadian Generally Accepted Auditing Standards and to issue an opinion on the statements. The external auditors have free access to the Audit Committee, with or without the presence of management. Their report follows.

Louis Audet
President and Chief Executive Officer

Pierre Gagné
Senior Vice-President and Chief Financial Officer

Montreal, October 26, 2011

Independent Auditor's Report

To the Shareholders of Cogeco Cable Inc.

We have audited the accompanying consolidated financial statements of Cogeco Cable Inc., which comprise the consolidated balance sheets as at August 31, 2011 and 2010, and the consolidated statements of income (loss), comprehensive income (loss), retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cogeco Cable Inc. as at August 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian Generally Accepted Accounting Principles.

Deloitte & Touche LLP[1]

October 26, 2011
Montreal, Canada

[1] Chartered accountant auditor permit No. 13556

Consolidated statements of income (loss)

Years ended August 31, *(In thousands of dollars, except per share data)*	**2011** **$**	2010 $
Revenue		
Service	**1,350,352**	1,270,391
Equipment	**10,814**	10,985
	1,361,166	1,281,376
Operating costs	**786,011**	762,261
Management fees – COGECO Inc. (note 19)	**9,172**	9,019
Operating income before amortization	**565,983**	510,096
Amortization (note 4)	**247,178**	258,871
Operating income	**318,805**	251,225
Financial expense (note 5)	**71,629**	64,904
Impairment of goodwill and fixed assets (note 6)	**225,873**	–
Income before income taxes	**21,303**	186,321
Income taxes (note 7)	**68,969**	29,018
Net income (loss)	**(47,666)**	157,303
Earnings (loss) per share (note 8)		
Basic	**(0.98)**	3.24
Diluted	**(0.98)**	3.23

Consolidated statements of comprehensive income (loss)

Years ended August 31, *(in thousands of dollars)*	2011 $	2010 $
Net income (loss)	**(47,666)**	157,303
Other comprehensive income (loss)		
Unrealized gains (losses) on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $2,953,000 (income tax expense of $294,000 in 2010)	**(15,353)**	1,534
Reclassification to financial expense of unrealized losses on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $2,124,000	**14,425**	5,415
Unrealized gains (losses) on translation of a net investment in self-sustaining foreign subsidiaries	**7,248**	(37,389)
Unrealized gains (losses) on translation of long-term debts designated as hedges of a net investment in self-sustaining foreign subsidiaries	**(3,903)**	29,218
	2,417	(1,222)
Comprehensive income (loss)	**(45,249)**	156,081

Consolidated statements of retained earnings

Years ended August 31, *(In thousands of dollars)*	2011 $	2010 $
Balance as reported, beginning of year	**123,025**	17,172
Changes in accounting policies (note 1 B))	**–**	(24,279)
Balance as restated, beginning of year	**123,025**	(7,107)
Net income (loss)	**(47,666)**	157,303
Excess of the value attributed to the incentive share units at issuance over the price paid for the acquisition of the subordinate voting shares	**11**	–
Dividends on multiple voting shares	**(11,139)**	(8,787)
Dividends on subordinate voting shares	**(23,355)**	(18,384)
Balance, end of year	**40,876**	123,025

Consolidated balance sheet

At August 31, (In thousands of dollars)	2011 $	2010 $
Assets		
Current		
Cash and cash equivalents (note 15 C))	**55,447**	35,842
Accounts receivable (note 17)	**74,754**	67,064
Income taxes receivable	**38,360**	44,800
Prepaid expenses and other	**12,856**	13,669
Future income tax assets (note 7)	**4,168**	6,133
	185,585	167,508
Fixed assets (note 9)	**1,254,576**	1,325,077
Deferred charges (note 10)	**26,101**	26,974
Intangible assets (note 11)	**1,047,189**	1,017,658
Goodwill (note 11)	**210,986**	144,695
Derivative financial instruments	**–**	5,085
Future income tax assets (note 7)	**11,063**	15,822
	2,735,500	2,702,819

Liabilities and shareholders' equity		
Liabilities		
Current		
Accounts payable and accrued liabilities	**255,014**	235,087
Income tax liabilities	**59,356**	558
Deferred and prepaid revenue	**43,128**	45,602
Derivative financial instrument	**–**	1,189
Current portion of long-term debt (note 12)	**2,094**	2,296
Future income tax liabilities (note 7)	**85,201**	78,267
	444,793	362,999
Long-term debt (note 12)	**946,783**	952,687
Balance due on a business acquisition (note 2)	**11,400**	–
Derivative financial instruments	**14,408**	–
Deferred and prepaid revenue and other liabilities	**14,576**	12,234
Pension plans liabilities and accrued employee benefits (note 16)	**4,302**	3,624
Future income tax liabilities (note 7)	**238,193**	234,974
	1,674,455	1,566,518
Commitments, contingencies and guarantees (note 18)		
Shareholders' equity		
Capital stock (note 13)	**992,922**	988,830
Contributed surplus	**6,471**	6,087
Retained earnings	**40,876**	123,025
Accumulated other comprehensive income (note 14)	**20,776**	18,359
	1,061,045	1,136,301
	2,735,500	2,702,819

On behalf of the Board of Directors,

Jan Peeters
Director

L. G. Serge Gadbois
Director

Consolidated statements of cash flows

Years ended August 31, *(In thousands of dollars)*	**2011** **$**	2010 $
Cash flow from operating activities		
Net income (loss)	**(47,666)**	157,303
Adjustments for:		
Amortization (note 4)	**247,178**	258,871
Amortization of deferred transaction costs and discounts on long-term debt	**2,913**	3,786
Impairment of goodwill and fixed assets (note 6)	**225,873**	–
Future income taxes	**6,171**	69,877
Stock-based compensation (note 13)	**2,452**	1,653
Loss on disposals and write-offs of fixed assets	**2,459**	2,932
Other	**969**	392
	440,349	494,814
Changes in non-cash operating items (note 15 A))	**74,973**	(77,530)
	515,322	417,284
Cash flow from investing activities		
Acquisition of fixed assets (note 15 B))	**(325,720)**	(308,908)
Increase in deferred charges	**(10,872)**	(10,633)
Business acquisitions, net of cash and cash equivalents acquired (note 2)	**(132,268)**	–
Other	**341**	168
	(468,519)	(319,373)
Cash flow from financing activities		
Net repayments under the Term Facility and Term Revolving Facility	**(16,169)**	(62,366)
Issuance of long-term debt, net of discounts and transaction costs	**198,295**	–
Repayments of long-term debt	**(177,790)**	(3,881)
Increase in deferred transaction costs	**–**	(5,238)
Issuance of subordinate voting shares (note 13)	**4,740**	481
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 13)	**(2,368)**	(2,008)
Dividends on multiple voting shares	**(11,139)**	(8,787)
Dividends on subordinate voting shares	**(23,355)**	(18,384)
	(27,786)	(100,183)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**588**	(1,344)
Net change in cash and cash equivalents	**19,605**	(3,616)
Cash and cash equivalents, beginning of year	**35,842**	39,458
Cash and cash equivalents, end of year	**55,447**	35,842

See supplemental cash flow information in note 15.

Notes to the consolidated financial statements

Years ended August 31, 2011 and 2010

Nature of operations

Cogeco Cable Inc. (the "Corporation") is a Canadian public corporation whose shares are listed on the Toronto Stock Exchange ("TSX"). The Corporation's core business is providing Cable Television, High Speed Internet ("HSI"), Telephony, managed information technology and infrastructure, and other telecommunications services to its residential and commercial customers in Canada and in Portugal.

1. Significant accounting policies

The consolidated financial statements are prepared in conformity with Canadian Generally Accepted Accounting Principles ("GAAP").

A) Consolidation principles

The consolidated financial statements include the accounts of the Corporation and its subsidiaries as well as those of a variable interest entity for which the Corporation is the primary beneficiary. Business acquisitions are accounted for under the purchase method and operating results are included in the consolidated financial statements as of the date of the acquisition of control. Other investments are recorded at cost.

B) Recent accounting pronouncements and changes in accounting policies

Adopted during fiscal 2010

i. Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. The new section established standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remained unchanged from the standards included in the previous Section 3062. The new section was applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with retroactive application. The adoption of Section 3064 resulted in the elimination of the deferral of new service launch costs which are now recognized as operating costs when they are incurred. Reconnect and additional service activation costs are capitalized up to an amount not exceeding the revenue generated by the reconnect activity. The retroactive adoption of Section 3064 reduced the fiscal year 2010 opening retained earnings by an amount of $24.3 million.

ii. Financial instrument disclosures

In 2009, the Canadian Accounting Standards Board ("AcSB") amended CICA Handbook Section 3862, *Financial instruments – disclosures*, to require enhanced disclosures about the relative reliability of the data, or inputs, that an entity uses in measuring the fair values of its financial instruments. The new requirements are effective for annual financial statements for fiscal years ending after September 30, 2009. The adoption of this amendment did not have any impact on the classification and measurement of the Corporation's financial instruments. The new disclosures pursuant to this amendment are included in note 17 of the Corporation's consolidated financial statements.

Future accounting pronouncements

iii. Harmonization of Canadian and international accounting standards

In March 2006, the AcSB of the CICA released its new strategic plan, which proposed to abandon Canadian GAAP and effect a complete convergence to the International Financial Reporting Standards ("IFRS") for Canadian publicly accountable entities. This plan was confirmed in subsequent exposure drafts issued in April 2008, March 2009 and October 2009. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Corporation's first interim consolidated financial statements presented in accordance with IFRS will be for the three-month period ending November 30, 2011, and its first annual consolidated financial statements presented in accordance with IFRS will be for the year ending August 31, 2012.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. The Corporation has established a project team including representatives from various areas of the organization to plan and complete the transition to IFRS. This team reports periodically to the Audit Committee, which oversees the IFRS implementation project on behalf of the Board of Directors. The Corporation is assisted by external advisors as required.

The Corporation's project for the transition from Canadian GAAP to IFRS is progressing according to the established plan in order to meet the target date for migration.

iv. Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook section 1582, *Business combinations*, which replaces section 1581 of the same name, and Sections 1601, *Consolidated Financial Statements* and 1602, *Non-controlling interests*, which together replace section 1600, *Consolidated Financial Statements*. These new sections harmonize significant aspects of Canadian accounting standards with the IFRS that will be mandated for publicly accountable entities with fiscal years beginning on or after January 1, 2011.

Section 1582 requires that all business acquisitions be measured at the fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date, and expands the definition of a business subject to an acquisition. The section also establishes new guidance on the measurement of consideration given and the recognition and measurement of assets acquired and liabilities assumed in a business combination. Furthermore, under this new guidance, acquisition costs, which were previously included as a component of the consideration given, and any negative goodwill resulting from the allocation of the purchase price, which was allocated as a reduction of non-current assets acquired under the previous standard, will be recorded in earnings in the current period. This new section will be applied prospectively and will only impact the Corporation's consolidated financial statements for future acquisitions concluded in periods subsequent to the date of adoption.

Sections 1601 and 1602 dealing with consolidated financial statements require an entity to measure non-controlling interest upon acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new sections also require non-controlling interest to be presented as a separate component of shareholders' equity.

The new standards will apply as of the beginning of the first annual reporting period beginning on or after January 1, 2011, with simultaneous early adoption permitted. Early adoption may reduce the amount of restatement required upon conversion to IFRS. The Corporation has elected not to early-adopt these sections, and in light of the adoption of International accounting standards taking effect at that same date, these sections will not be applicable to the Corporation.

v. Multiple deliverable revenue arrangements

In December 2009, the Emerging Issues Committee ("EIC") of the Canadian AcSB issued a new abstract concerning multiple deliverable revenue arrangements, EIC-175, *Multiple deliverable revenue arrangements*, which amended EIC-142, *Revenue arrangements with multiple deliverables*. EIC-175 requires a vendor to allocate arrangement consideration at the inception of the arrangement to all deliverables using the relative selling price method, thereby eliminating the use of the residual value method. The amendment also changes the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. EIC-175 should be adopted prospectively to revenue arrangements entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011, with early adoption permitted. The Corporation has elected not to early adopt this EIC, and in light of the adoption of International accounting standards taking effect at the same date, this EIC will not be applicable to the Corporation.

C) Revenue recognition

The Corporation considers revenue to be earned as services are rendered, provided that ultimate collection is reasonably assured. The Corporation earns revenue from several sources. The recognition of revenue from the principal sources is as follows:

- Revenue from Cable Television, HSI, Telephony, managed information technology and infrastructure, and other telecommunications services are recognized when services are rendered;
- Revenue generated from sales of home terminal devices is recorded as equipment revenue upon activation of services as management considers the sale of home terminal devices as a single unit of accounting of a multiple element arrangement;
- Installation revenue is deferred and amortized over the average life of a customer's subscription for residential customers, not exceeding four years, and over the term of the contract for business customers. Management considers that installation revenue is part of a multiple element arrangement and has no standalone value. Accordingly, installation revenue is deferred and amortized at the same pace as revenue from Cable Television, HSI, Telephony, managed information technology and infrastructure, and other telecommunications services are earned;
- Promotional offers are accounted for as deductions from revenue when customers take advantage of such offers.

Amounts received or invoiced that do not comply with these criteria are accounted for as deferred and prepaid revenue.

D) Fixed assets

Fixed assets are recorded at cost. During construction of new assets, direct costs plus a portion of overhead costs directly attributable are capitalized. Financial expense during construction is expensed in the year in which it is incurred. Amortization is recorded from the date the assets are placed in services mainly on a straight-line basis over the estimated useful lives over the following periods:

Buildings	10 to 40 years
Cable systems	4 to 20 years
Equipment, programming equipment, furniture and fixtures	3 to 10 years
Home terminal devices	3 to 5 years
Rolling stock and equipment under capital leases	5 years
Other equipment	3 to 10 years
Leasehold improvements	Lease term

The Corporation reviews, when a triggering event occurs, the carrying value of its fixed assets by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. The impairment loss is measured as the amount by which the asset or group of assets' carrying amount exceeds its fair value.

Legal obligations associated with site restoration costs on the retirement of property are recognized in the period in which they can be reasonably estimated based on currently available information. The obligations are initially measured at fair value and an equal amount is recorded to fixed assets. Over time, the discounted asset retirement obligations accrete due to the increase in the fair value resulting from the passage of time. This accretion amount is charged to operating costs. The initial costs are depreciated over the useful lives of the related fixed assets or the remaining leasehold engagements when applicable. The Corporation does not record an asset retirement obligation in connection with its cable systems as the Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date relating to these assets undeterminable.

E) Deferred charges

Deferred charges include reconnect and additional service activation costs and transaction costs. Reconnect and additional service activation costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity. Reconnect and additional service activation costs are amortized over the average life of a customer's subscription, not exceeding four years. Transaction costs on the revolving loan and the swingline facility are amortized over the term of the related financing on a straight-line basis.

F) Intangible assets

Intangible assets with finite useful lives, such as customer relationships, are recorded at cost and amortized on a straight-line basis over the average life of a business customer's subscription, which is eight years. The Corporation reviews, when a triggering event occurs, the carrying value of its intangible assets with finite useful lives by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. The impairment loss is measured as the amount by which the asset or group of assets' carrying amount exceeds its fair value. Any impairment loss is charged to earnings in the period in which the loss occurred.

Intangible assets with indefinite useful lives, such as customer base, are not amortized, but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. In conducting impairment testing, the Corporation compares the carrying value to the sum of the expected future discounted cash flows. When the impairment test indicates that the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. Any impairment loss is charged to earnings in the period in which the loss occurred.

G) Goodwill

Goodwill represents the difference between the price paid and the fair value attributed to tangible and intangible assets upon the acquisition of cable and telecommunications systems. Goodwill is not amortized but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. Goodwill is tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned exceeds the net carrying value of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. The impairment loss is measured as the amount by which the carrying amount of the reporting unit's goodwill exceeds its fair value. Any impairment loss is charged to earnings in the period in which the loss is incurred. The Corporation uses the discounted cash flow method to determine the fair value of reporting units.

H) Income taxes

Income taxes are accounted for under the asset and liability method. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax asset will be realized.

I) Stock-based compensation

The Corporation measures stock options granted to employees based on the fair value at the grant date by using the binomial pricing model and a compensation expense is recognized on a straight-line basis over the vesting period, which is three to five years, with a corresponding increase in contributed surplus. When the stock options are exercised, capital stock is credited by the sum of the consideration received and the related portion previously recorded in contributed surplus.

The Corporation measures incentive share units granted to employees based on the fair value of the Corporation's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years less one day, with a corresponding increase in contributed surplus.

The Deferred Share Unit Plan of the Corporation is recognized as a compensation expense and as an accrued liability as of the date units are awarded to officers. The accrued liability is re-measured at the end of each reporting period, until settlement, using the average closing price of the subordinate voting shares on the Toronto Stock Exchange for the twenty consecutive trading days immediately preceding by one day the closing date of the reporting period.

J) Employee future benefits

Pension costs, recorded in operating costs, related to the defined contribution pension plan and the collective registered retirement savings plans are equivalent to the contributions that the Corporation is required to make in exchange for services rendered by employees.

Pension costs for defined benefit pension plans are determined using actuarial methods and are funded through contributions determined in accordance with the projected benefit method prorated on service. Pension expense is charged to operating costs and includes:

- The cost of pension benefits provided in exchange for employees' services rendered during the year;
- The amortization of past service costs and amendments over the expected average remaining service life of the active employee group covered by the plans, which is seven to nine years; and
- The interest cost of pension obligations, the expected rate of return on pension fund assets and the amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the benefit obligation or fair value of plan assets over the expected average remaining service life of the active employee group covered by the plans, which is seven to nine years. The Corporation uses the fair value of plan assets to evaluate plan assets for the purpose of calculating the expected return on plan assets.

K) Non-monetary transactions

In the normal course of its business, the Corporation enters into non-monetary transactions under which services are acquired in exchange for other services. Non-monetary transactions with commercial substance, which would otherwise be payable in cash, are accounted for at their fair value.

L) Foreign currency translation

Financial statements of self-sustaining foreign subsidiaries are translated into Canadian dollars using the exchange rate in effect at the balance sheet date for asset and liability items, and using the average exchange rates during the period for revenue and expenses. Adjustments arising from this translation are deferred and recorded in the foreign currency translation adjustment in accumulated other comprehensive income, and are included in income only when a reduction in the investment in these foreign subsidiaries is realized.

Other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenue and expenses are translated at the average exchange rates prevailing during the period except for transactions being hedged, which are translated using the terms of the hedges. Amounts payable or receivable on cross-currency swap agreements, all of which are used to hedge foreign currency debt obligations, are recorded concurrently with the unrealized gains and losses on the obligations being hedged. Other foreign exchange gains and losses are recognized as financial expense, except for unrealized foreign exchange gains and losses on foreign-denominated long-term debt that is designated as a hedge of a net investment in self-sustaining foreign subsidiaries, which are included in the foreign currency translation adjustment in accumulated other comprehensive income, net of income taxes.

M) Financial instruments

Classification, recognition and measurement

All of the Corporation's financial assets are classified as held-for-trading or loans and receivables. The Corporation has classified its cash and cash equivalents as held-for-trading. Held-for-trading assets and liabilities are carried at fair value on the consolidated balance sheet, with changes in fair value recorded in the consolidated statements of income. Accounts receivable have been classified as loans and receivables. All of the Corporation's financial liabilities are classified as other liabilities, except for the cross-currency swap and interest rate swap agreements. Loans and receivables instruments and all financial liabilities, except for the cross-currency swap and interest rate swap agreements, are carried at amortized cost using the effective interest rate method. The Corporation has determined that none of its financial assets are classified as available-for-sale or held-to-maturity.

Transaction costs

Transaction costs are capitalized on initial recognition and presented as a reduction of the related financing, except for transaction costs on the revolving loan and the swingline facility, which are presented as deferred charges. These costs are amortized over the term of the related financing using the effective interest rate method, except for transaction costs on the revolving loan and the swingline facility, which are amortized over the term of the related financing on a straight-line basis.

Derivative financial instruments and hedge accounting

The Corporation uses cross-currency swap and interest rate swap agreements as derivative financial instruments to manage risk of fluctuation in interest and foreign exchange rates related to its long term debt. All derivatives are measured at fair value with changes in fair value recorded in the consolidated statements of income unless they are effective cash flow hedging instruments. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income, to the extent effective, until the variability of cash flows relating to the hedged asset or liability is recognized in the consolidated statements of income. Any hedge ineffectiveness is recognized in the consolidated statements of income immediately. Accordingly, the Corporation's cross-currency swap and interest rate swap agreements must be measured at fair value in the consolidated financial statements. Since these cross-currency swap and interest rate swap agreements are used to hedge cash flows on Senior Secured Notes Series A denominated in US dollars and a portion of Euro-denominated loans outstanding under the Term Revolving Facility, and previously the Term Facility, the changes in fair value are recorded in other comprehensive income. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Net receipts or payments arising from cross-currency and interest rate swap agreements are recognized as financial expense.

Embedded derivatives

All embedded derivatives that are not closely related to the host contracts are measured at fair value, with changes in fair value recorded in the consolidated statements of income. At August 31, 2011 and 2010, there were no significant embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated balance sheets.

N) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments that have an original maturity of three months or less.

O) Use of estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenue and expenses during the reporting year. Significant areas requiring the use of management estimates relate to the determination of pension plan liabilities and accrued employee benefits, the determination of accrued liabilities, the determination of allowance for doubtful accounts, the determination of the fair value of assets acquired and liabilities assumed in business combinations, the evaluation of the carrying amount of home terminal devices, the useful lives of assets for amortization, the determination of whether a triggering event has occurred and of future cash flows for the purpose of impairment testing on fixed assets, goodwill and intangible assets with finite and indefinite useful lives, the discount rate used for the purpose of impairment testing on goodwill and intangible assets with indefinite useful lives, the provision for income taxes and determination of future income tax assets and liabilities and utilization thereof, and the determination of the fair value of financial instruments, including all derivative financial instruments. Actual results could differ from these estimates.

2. Business acquisitions

On June 27, 2011, the Corporation concluded an agreement to acquire all of the shares of Quiettouch Inc. ("Quiettouch"), a leading independent provider of outsourced managed information technology and infrastructure services to mid-market and larger enterprises in Canada. Quiettouch offers a full suite of differentiated services, including managed infrastructure and hosting, virtualization, firewall services, data backup with end-to-end monitoring and reporting, and enhanced and traditional collocation services. Quiettouch operates three data centers in Toronto and Vancouver, as well as a fiber network within key business areas of downtown Toronto. The transaction was completed August 2, 2011.

On August 31, 2011, the Corporation concluded and completed an agreement to acquire all of the shares of MTO Telecom Inc. ("MTO"), the largest private telecommunications provider in the Greater Montreal Area and the Province of Quebec. MTO offers high-performance Ethernet broadband connectivity services to carrier, enterprise and public sector customers.

These acquisitions were accounted for using the purchase method. The results have been consolidated as of the acquisition date. The preliminary allocation of the purchase price of these acquisitions, pending the completion of the valuation of the net assets acquired, is as follows:

(In thousands of dollars)	$
Consideration	
Paid	
Purchase of shares	**133,600**
Preliminary working capital adjustment	**(1,034)**
Acquisition costs	**1,111**
	133,677
Balance due on a business acquisition(1)	**11,400**
Preliminary working capital adjustment payable	**1,429**
Acquisition costs payable	**713**
	147,219
Net assets acquired	
Cash and cash equivalents	**1,409**
Accounts receivable	**4,619**
Prepaid expenses and other	**1,036**
Fixed assets	**27,195**
Deferred charges	**615**
Customer relationships	**34,305**
Goodwill	**94,743**
Accounts payable and accrued liabilities assumed	**(3,626)**
Deferred and prepaid revenue	**(1,538)**
Long-term future income tax liabilities	**(11,539)**
	147,219

(1) Bearing interest at bank prime rate plus 1% and payable in February 2013.

3. Segmented information

The Corporation's activities are comprised of Cable Television, HSI, Telephony and other telecommunications services. The Corporation considers its Cable Television, HSI, Telephony, managed information technology and infrastructure, and other telecommunications activities as a single operating segment. The Corporation's activities are carried out in Canada and in Europe.

The principal financial information per business segment is presented in the table below:

	Canada		Europe		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
(in thousands of dollars)	**$**	$	**$**	$	**$**	$
Revenue	**1,188,889**	1,093,620	**172,277**	187,756	**1,361,166**	1,281,376
Operating costs	**634,749**	607,072	**151,262**	155,189	**786,011**	762,261
Management fees – COGECO Inc.	**9,172**	9,019	**–**	–	**9,172**	9,019
Operating income before amortization	**544,968**	477,529	**21,015**	32,567	**565,983**	510,096
Amortization	**206,763**	187,273	**40,415**	71,598	**247,178**	258,871
Operating income (loss)	**338,205**	290,256	**(19,400)**	(39,031)	**318,805**	251,225
Financial expense (revenue)	**71,703**	65,519	**(74)**	(615)	**71,629**	64,904
Impairment of goodwill and fixed assets	**–**	–	**225,873**	–	**225,873**	–
Income taxes	**69,432**	30,574	**(463)**	(1,556)	**68,969**	29,018
Net income (loss)	**197,070**	194,163	**(244,736)**	(36,860)	**(47,666)**	157,303
Total assets	**2,675,878**	2,407,059	**59,622**	295,760	**2,735,500**	2,702,819
Fixed assets	**1,219,982**	1,094,971	**34,594**	230,106	**1,254,576**	1,325,077
Intangible assets	**1,047,189**	1,017,658	**–**	–	**1,047,189**	1,017,658
Goodwill	**210,986**	116,243	**–**	28,452	**210,986**	144,695
Acquisition of fixed assets(1)	**291,128**	257,321	**34,592**	51,728	**325,720**	309,049

(1) Includes fixed assets acquired through capital leases that are excluded from the consolidated statements of cash flows.

4. Amortization

	2011	2010
(in thousands of dollars)	**$**	$
Fixed assets	**231,683**	243,345
Deferred charges	**10,721**	10,750
Intangible assets	**4,774**	4,776
	247,178	258,871

5. Financial expense

	2011	2010
(in thousands of dollars)	**$**	$
Interest on long-term debt	**68,863**	62,800
Foreign exchange gains	**(2,145)**	(988)
Amortization of deferred transaction costs	**1,639**	2,366
Other	**3,272**	726
	71,629	64,904

6. Impairment of goodwill and fixed assets

(in thousands of dollars)	**2011** $	2010 $
Impairment of goodwill	**29,344**	–
Impairment of fixed assets	**196,529**	–
	225,873	–

During the third quarter of fiscal year 2011, the economic environment in Portugal continued to deteriorate, with the Country ultimately requiring financial assistance from the International Monetary Fund and the European Central Bank. As part of the negotiated financial assistance package, the Portuguese government has committed to financial reforms which include increases in sales and income taxes combined with reductions in government spending on social programs. These measures are expected to put further downwards pressure on consumer spending capacity. The rate of growth for our services has diminished in this environment, with net customer losses and service downgrades by customers in the European operations in the third quarter of fiscal year 2011. In accordance with current accounting standards, management considered that this situation combined with net customer losses in the third quarter, which were significantly more important and persistent than expected, will continue to negatively impact the financial results of the European operations and indicate a decrease in the value of the Corporation's investment in the Portuguese subsidiary. As a result, the Corporation tested goodwill and all long-lived assets for impairment at May 31, 2011.

Goodwill is tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned exceeds the net carrying amount of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. The impairment loss is measured as the amount by which the carrying amount of the reporting unit's goodwill exceeds its fair value. The Corporation completed its impairment test on goodwill and concluded that goodwill was impaired at May 31, 2011. As a result, a non-cash impairment loss of $29.3 million was recorded in the third quarter of the 2011 fiscal year. Fair value of the reporting unit was determined using the discounted cash flow method. Future cash flows were based on internal forecasts and consequently, considerable management judgment was necessary to estimate future cash flows.

Long-lived assets with finite useful lives, such as fixed assets, are tested for impairment by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value. Accordingly, the Corporation completed its impairment test on the fixed assets of the Portuguese subsidiary at May 31, 2011, and determined that the carrying value of these assets exceeded the expected future undiscounted cash flows to be generated by these assets. As a result, a non-cash impairment loss of $196.5 million was recognized in the third quarter of the 2011 fiscal year.

7. Income taxes

(in thousands of dollars)	**2011** **$**	2010 $
Current	**62,798**	(40,859)
Future	**6,171**	69,877
	68,969	29,018

The following table provides the reconciliation between income tax expense at the Canadian statutory federal and provincial income tax rates and the consolidated income tax expense:

(in thousands of dollars)	**2011** **$**	2010 $
Income before income taxes	**21,303**	186,321
Combined income tax rate	**28.91%**	31.51%
Income tax expense at combined income tax rate	**6,159**	58,710
Adjustments for losses or income subject to lower or higher tax rates	**(6,271)**	(9,828)
Decrease in future income taxes as a result of a decrease in substantively enacted tax rates	**–**	(29,782)
Decrease in income tax recovery arising from the non-deductible impairment of goodwill and fixed assets	**59,856**	–
Utilization of pre-acquisition tax losses	**–**	4,432
Income taxes arising from non-deductible expenses	**543**	781
Effect of foreign income tax rate differences	**10,568**	6,117
Other	**(1,886)**	(1,412)
Income tax expense at effective income tax rate	**68,969**	29,018

The following table presents future income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes, as well as tax loss carryforwards:

(in thousands of dollars)	**2011** **$**	2010 $
Fixed assets	**(87,646)**	(87,399)
Deferred charges	**(4,304)**	(6,409)
Intangible assets	**(141,414)**	(130,558)
Deferred and prepaid revenue	**5,646**	5,659
Share issuance costs	**–**	858
Partnerships income	**(86,801)**	(78,258)
Non-capital loss and other tax credit carryforwards, net of valuation allowance	**3,987**	2,833
Other	**2,369**	1,988
Net future income tax liabilities	**(308,163)**	(291,286)
Financial statements presentation		
Current future income tax assets	**4,168**	6,133
Long-term future income tax assets	**11,063**	15,822
Current future income tax liabilities	**(85,201)**	(78,267)
Long-term future income tax liabilities	**(238,193)**	(234,974)
Net future income tax liabilities	**(308,163)**	(291,286)

As at August 31, 2011, the Corporation and its Canadian subsidiaries had accumulated federal and provincial income tax losses amounting to approximately $15.8 million, the benefits of which have been recognized in these financial statements. These losses expire as follows:

	2026	2027	2028	2029	2030	2031
(in thousands of dollars)	$	$	$	$	$	$
	19	339	25	352	9,962	5,117

The Corporation's subsidiary, Cabovisão, also has income tax losses amounting to approximately €73 million ($102.8 million), the benefits of which have not been recognized in these financial statements. These losses may be used to reduce future years' taxable income. In accordance with the Portuguese Companies Income Tax Code ("CIRC"), tax losses incurred in a financial year can be carried forward and deducted from taxable profits of one or more of the following six taxation years for tax losses incurred before 2010 and for the following four taxation years for tax losses incurred in 2010 and beyond. However, the CIRC provides for certain exceptions whereby the general rule stated above ceases to apply. One such exception is that tax losses cannot be deducted if the ownership of at least 50% of the social capital changes from the moment when the tax losses were generated, unless a request is filed before such change in the ownership takes place, subject to approval by the Portuguese tax authorities. To this effect, a request for preservation of tax losses for the years preceding the 2006 taxation year was filed by Cabovisão on July 28, 2006 and approved by the Portuguese tax authorities on November 25, 2009. As part of their review, the Portuguese tax authorities have audited Cabovisão's tax returns for the 2003 to 2005 taxation years, which have resulted in notices of assessment to reduce tax losses by €7.3 million in 2003, €29.6 million in 2004 and €17.1 million in 2005, respectively. However, Cabovisão does not agree with the assessments and has initiated legal proceedings against the Portuguese tax authorities. In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a four-year period. These periods can be extended or suspended when there are tax losses, tax benefits granted, tax inspections, claims or appeals in progress. Consequently, Cabovisão's tax returns for the taxation years 2006 to 2011 are still subject to review by the tax authorities and therefore, the amount of available tax losses could be significantly reduced based on past experience. These losses expire as follows:

	2012	2014	2015
(in thousands of dollars)	$	$	$
	50,978	18,714	33,085

8. Earnings (loss) per share

The following table provides the reconciliation between basic and diluted earnings (loss) per share:

(in thousands of dollars, except number of shares and per share data)	**2011** $	2010 $
Net income (loss)	**(47,666)**	157,303
Weighted average number of multiple voting and subordinate voting shares outstanding	**48,582,989**	48,520,183
Effect of dilutive stock options(1)(2)	**–**	133,994
Effect of dilutive subordinate voting shares held in trust under the Incentive Share Unit Plan(1)	**–**	45,163
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**48,582,989**	48,699,340
Earnings (loss) per share		
Basic	**(0.98)**	3.24
Diluted	**(0.98)**	3.23

(1) The weighted average dilutive potential of subordinate voting shares which were anti-dilutive for the year ended August 31, 2011 amounted to 277,826, due to the net loss.
(2) In 2011, 73,699 stock options (87,974 in 2010) were excluded from the calculation of diluted earnings (loss) per share as the exercise price of the options was greater than the average share market price of the subordinate voting shares.

9. Fixed assets

(in thousands of dollars)	**2011** **$**	2010 $
Cost		
Land	**6,509**	6,504
Buildings	**64,488**	51,777
Cable systems	**2,325,833**	1,966,175
Equipment, programming equipment, furniture and fixtures	**55,593**	43,015
Home terminal devices	**414,464**	352,555
Rolling stock and equipment under capital leases	**21,365**	17,515
Other equipment	**96,475**	67,072
Leasehold improvements	**36,186**	23,794
	3,020,913	2,528,407
Accumulated amortization		
Buildings	**19,522**	13,573
Cable systems	**1,370,687**	925,151
Equipment, programming equipment, furniture and fixtures	**22,309**	21,599
Home terminal devices	**277,029**	203,162
Rolling stock and equipment under capital leases	**14,530**	10,824
Other equipment	**51,662**	24,321
Leasehold improvements	**10,598**	4,700
	1,766,337	1,203,330
	1,254,576	1,325,077

10. Deferred charges

(in thousands of dollars)	**2011** **$**	2010 $
Reconnect and additional service activation costs	**20,964**	20,813
Transaction costs	**4,522**	6,161
Other	**615**	–
	26,101	26,974

11. Goodwill and other intangible assets

(in thousands of dollars)	**2011** **$**	2010 $
Customer relationships	**57,637**	28,106
Customer base	**989,552**	989,552
	1,047,189	1,017,658
Goodwill	**210,986**	144,695
	1,258,175	1,162,353

A) Intangible assets

During fiscal years 2011 and 2010, intangible asset variations were as follows:

			2011			2010
(in thousands of dollars)	**Customer relationships** **$**	**Customer base** **$**	**Total** **$**	Customer relationships $	Customer base $	Total $
Balance, beginning of year	**28,106**	**989,552**	**1,017,658**	32,882	989,552	1,022,434
Business acquisitions (note 2)	**34,305**	**–**	**34,305**	–	–	–
Amortization	**(4,774)**	**–**	**(4,774)**	(4,776)	–	(4,776)
Balance, end of year	**57,637**	**989,552**	**1,047,189**	28,106	989,552	1,017,658

At August 31, 2011 and 2010, the Corporation tested the value of customer base for impairment and concluded that no impairment existed.

B) Goodwill

During fiscal years 2011 and 2010, goodwill variation was as follows:

(in thousands of dollars)	**2011** **$**	2010 $
Balance, beginning of year	**144,695**	153,695
Business acquisitions (note 2)	**94,743**	–
Recognition of pre-acquisition tax losses	**–**	(4,432)
Impairment (note 6)	**(29,344)**	–
Foreign currency translation adjustment	**892**	(4,568)
Balance, end of year	**210,986**	144,695

On November 25, 2009, the Corporation's subsidiary, Cabovisão, received approval to its request for preservation of tax losses for the taxation years preceding the 2006 taxation year. Accordingly, the Corporation has adjusted its allocation of the purchase price to reflect the recognition of additional tax losses incurred prior to the acquisition, in an amount not exceeding management's best estimate of the level of pre-acquisition tax losses that will be realized. This adjustment has reduced goodwill by approximately $4.4 million in the year ended August 31, 2010. Pending resolution of the litigations for taxation years 2003 to 2005 mentioned in note 7, the Corporation will review its estimate periodically to reflect currently available information and any additional recognition of pre-acquisition tax losses will be recorded as a reduction of goodwill.

At August 31, 2011 and 2010, the Corporation tested the value of goodwill for impairment and concluded that no impairment existed.

12. Long-term debt

(in thousands of dollars)	Maturity	Interest rate %	**2011 $**	2010 $
Parent Corporation				
Term Revolving Facility [a)]				
Revolving loan	July 2014	4.00[(1)]	**110,000**	–
Revolving loan — €nil (€90 million in 2010)	July 2014	2.63[(2)(3)]	**–**	121,635
Senior Secured Notes [b)]				
Series A – US$190 million	October 2015	7.00	**185,049**	201,387
Series B	October 2018	7.60	**54,646**	54,609
Senior Secured Debentures Series 1 [c)]	June 2014	5.95	**298,016**	297,379
Senior Secured Debentures Series 2 [d)]	November 2020	5.15	**198,400**	–
Senior Secured Notes Series B [e)]	October 2011	7.73	**–**	174,738
Senior Unsecured Debenture [f)]	March 2018	5.94	**99,827**	99,806
Subsidiaries				
Obligations under capital leases	October 2013	6.71 – 9.93	**2,939**	5,429
			948,877	954,983
Less current portion			**2,094**	2,296
			946,783	952,687

(1) Interest rate on debt at August 31, 2011, including the applicable margin.
(2) Interest rate on debt at August 31, 2010, including the applicable margin.
(3) On January 21, 2009, the Corporation entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to a portion of Euro-denominated loans outstanding under the Term Revolving Facility, and previously the Term Facility, for a notional amount of €111.5 million which has been reduced to €95.8 million on July 28, 2009 and to €69.6 million on July 28, 2010. The interest swap rate to hedge the Euro-denominated loans has been fixed at 2.08% until the settlement of the swap agreement on June 28, 2011.

a) The Corporation benefits from a $750 million Term Revolving Facility with a group of financial institutions led by two large Canadian banks, which became effective on July 12, 2010. This Term Revolving Facility has an option to be increased up to $1 billion subject to lenders' participation. The Term Revolving Facility is available in Canadian, US or Euro currencies and includes a swingline of $25 million available in Canadian or US currencies. The Term Revolving Facility may be extended by additional one-year periods on an annual basis, subject to lenders' approval, and, if not extended, matures four years after its issuance or the last extension, as the case may be. The Term Revolving Facility can be repaid at any time without penalty. The Term Revolving Facility requires commitment fees, and interest rates are based on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate loan or US base rate loan plus the applicable margin. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provides for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to operating income before amortization, financial expense and total indebtedness. At August 31, 2011, the Corporation was in compliance with all of its covenants.

b) On October 1, 2008, the Corporation issued US$190 million Senior Secured Notes Series A maturing October 1, 2015, and $55 million Senior Secured Notes Series B maturing October 1, 2018, net of transaction costs of $2.1 million, for net proceeds of $255 million. The Senior Secured Notes Series B bear interest at the coupon rate of 7.60% per annum, payable semi-annually. The Corporation has entered into cross-currency swap agreements to fix the liability for interest and principal payments on the Senior Secured Notes Series A in the amount of US$190 million, which bear interest at the coupon rate of 7.00% per annum, payable semi-annually. Taking into account these agreements, the effective interest rate on the Senior Secured Notes Series A is 7.24% and the exchange rate applicable to the principal portion of the US dollar-denominated debt has been fixed at $1.0625. The Senior Secured Notes are senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries. The notes are redeemable at the Corporation's option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.

c) On June 9, 2009, the Corporation completed, pursuant to a public debt offering, the issue of $300 million Senior Secured Debentures Series 1, net of discounts and transactions costs of $3.3 million, for net proceeds of $296.7 million. The Senior Secured Debentures Series 1 are redeemable at the Corporation's option, in whole or in part, at the greater of par value or the Canada bond yield plus 0.875%. These debentures mature on June 9, 2014 and bear interest at 5.95% per annum, payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries.

d) On November 16, 2010 the Corporation completed pursuant to a public debt offering, the issue of $200 million Senior Secured Debentures Series 2 for net proceeds of $198.3 million net of discounts and transaction costs. These debentures mature on November 16, 2020 and bear interest at 5.15% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries.

e) The Senior Secured Notes Series B were senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. These notes were indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries. The notes were redeemable at the Corporation's option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium. The Senior Secured Notes Series B were to mature on October 31, 2011 and had an interest coupon rate of 7.73% per annum, payable semi-annually. On December 22, 2010, the Corporation redeemed the 7.73% Senior Secured Notes Series B in the aggregate principal amount of $175 million. As a result, the aggregate redemption cash consideration that the Corporation paid totalled $183.8 million excluding accrued interest. The excess of the redemption price over the aggregate principal amount was recorded as financial expense during the second quarter of fiscal year 2011.

f) On March 5, 2008, the Corporation issued a $100 million Senior Unsecured Debenture by way of a private placement, subject to usual market conditions. The debenture bears interest at a fixed rate of 5.936% per annum, payable semi-annually. The debenture matures on March 5, 2018 and is redeemable at the Corporation's option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.

g) Principal repayments due on long-term debt for the next five fiscal years, excluding those under capital leases, are as follows:

	2012	2013	2014	2015	2016	Thereafter
(in thousands of dollars)	$	$	$	$	$	$
	–	–	410,000	–	186,086	355,000

h) Minimum payments due under capital leases total $3,129,000 of which $190,000 represents financial expense, and are as follows:

	2012	2013	2014
(in thousands of dollars)	$	$	$
	2,251	871	7

13. Capital stock

Authorized

Unlimited number of:

Class A Preference shares, without voting rights, redeemable by the Corporation and retractable at the option of the holder at any time at a price of $1 per share, carrying a cumulative preferential cash dividend at a rate of 11% of the redemption price per year.

Class B Preference shares, without voting rights, issuable in series.

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

Issued

	2011	2010
(in thousands of dollars, except number of shares)	$	$
15,691,100 multiple voting shares	**98,346**	98,346
33,073,656 subordinate voting shares (32,885,337 in 2010)	**898,327**	892,332
	996,673	990,678
103,728 subordinate voting shares held in trust under the Incentive Share Unit Plan (57,409 in 2010)	**(3,751)**	(1,848)
	992,922	988,830

During the year, subordinate voting shares transactions were as follows:

	2011		2010	
(in thousands of dollars, except number of shares)	Number of shares	Amount $	Number of shares	Amount $
Balance, beginning of year	**32,885,337**	**892,332**	32,867,426	891,715
Shares issued for cash under the employee stock option plan	**188,319**	**4,740**	17,911	481
Compensation expense previously recorded in contributed surplus for options exercised	**–**	**1,255**	–	136
Balance, end of year	**33,073,656**	**898,327**	32,885,337	892,332

During the year, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

	2011		2010	
(in thousands of dollars, except number of shares)	Number of shares	Amount $	Number of shares	Amount $
Balance, beginning of year	**57,409**	**1,848**	–	–
Subordinate voting shares acquired	**59,503**	**2,368**	62,436	2,008
Subordinate voting shares distributed to employees	**(13,184)**	**(465)**	(5,027)	(160)
Balance, end of year	**103,728**	**3,751**	57,409	1,848

Stock-based plans

The Corporation offers, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan and a Stock Option Plan for certain executives. Under these plans, no more than 10% of the outstanding subordinate voting shares are available. Furthermore, the Corporation offers an Incentive Share Unit Plan for senior executive and designated employees.

Stock purchase plan

The Corporation offers, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan, which has been modified effective January 1st, 2010. The new plan is accessible to all employees up to a maximum of 7% of their base annual salary and the Corporation contributes 25% of the employee contributions. The subscriptions are made monthly and employee shares are purchased on the stock market. Prior to January 1st, 2010, the Plan was accessible to all employees up to a maximum of 5% of their annual salary. The subscription date was December 31 and the subscription price was based on the average market price of the share of the last five business days of November less 10%.

Stock option plan

A total of 2,400,000 subordinate voting shares are reserved for the purpose of the Stock Option Plan. The minimum purchase price at which options are granted is not less than the market value of such shares at the time the option is granted. Options granted after September 1, 2009, vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years. Prior to September 1, 2009, options granted vest at the rate of 20% per year beginning the day such options are granted and are exercisable over ten years, except for conditional stock options granted in 2007, which vested equally over a period of three years beginning one year after the day such options were granted and are exercisable over ten years. During fiscal year 2011, the Corporation granted 71,090 stock options (66,174 in 2010) with an exercise price of $39.00 to $44.00 ($31.82 to $38.86 in 2010) of which 35,800 stock options (33,266 in 2010) were granted to COGECO Inc.'s employees.

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at August 31:

	2011 Options	2011 Weighted average exercise price	2010 Options	2010 Weighted average exercise price
		$		$
Outstanding, beginning of year	**716,760**	**30.16**	716,745	30.37
Granted	**71,090**	**39.26**	66,174	32.08
Exercised	**(188,319)**	**25.17**	(17,911)	26.88
Forfeited	**(34,706)**	**41.12**	(37,850)	39.95
Cancelled(1)	**–**	**–**	(10,398)	26.63
Expired	**(448)**	**36.10**	–	–
Outstanding, end of year	**564,377**	**32.30**	716,760	30.16
Exercisable, end of year	**393,802**	**30.39**	507,811	28.28

(1) In fiscal year 2010, the Corporation cancelled 10,398 conditional stock options as yearly financial objectives by the Portuguese subsidiary, Cabovisão, were not achieved.

At August 31, 2011, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options are as follows:

	Options outstanding			Options exercisable	
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable**	**Weighted average exercise price**
$			$		$
15.70 to 16.80	**20,222**	**2.18**	**16.38**	**20,222**	**16.38**
21.50 to 26.63	**199,860**	**4.71**	**25.59**	**199,860**	**25.59**
28.95 to 34.46	**207,996**	**6.80**	**32.26**	**117,868**	**31.83**
36.10 to 45.59	**69,573**	**9.07**	**39.50**	**2,209**	**45.25**
49.82	**66,726**	**6.15**	**49.82**	**53,643**	**49.82**
	564,377	**6.10**	**32.30**	**393,802**	**30.39**

The Corporation recorded compensation expense for options granted on or after September 1, 2003. As a result, a compensation expense of $361,000 ($619,000 in 2010) was recorded for the year ended August 31, 2011.

The weighted average fair value of each option granted was estimated on the grant date for purposes of determining stock-based compensation expense using the binomial option pricing model based on the following assumptions:

	2011	2010
	%	%
Expected dividend yield	**1.44**	1.49
Expected volatility	**29**	29
Risk-free interest rate	**2.05**	2.67
Expected life in years	**4.9**	4.8

The fair value of stock options granted for the year ended August 31, 2011 was $9.58 ($8.12 in 2010) per option.

For the purpose of compensation expense, stock-based compensation costs are amortized to expense on a straight-line basis over the vesting period, which is three to five years.

Incentive share unit plan

Effective October 29, 2009, the Corporation established a senior executive and designated employee Incentive Share Unit Plan ("ISU Plan"). According to the plan, senior executives and designated employees periodically receive a given number of Incentive Share Units ("ISUs") which entitle the participant to receive subordinate voting shares of the Corporation after three years less one day from the date of grant. During fiscal year 2011, the Corporation granted 61,724 (63,666 in 2010) ISUs of which 10,000 (9,981 in 2010) ISUs were granted to COGECO Inc.'s employees. The Corporation establishes the value of the compensation related to the ISUs granted based on the fair value of the Corporation's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years less one day. A Trust was created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation. The Corporation instructed the trustee to purchase 59,503 (62,436 in 2010) subordinate voting shares of the Corporation on the stock market. These shares were purchased for cash consideration aggregating $2,368,000 ($2,008,000 in 2010) and are held in trust for the participants until they are fully vested. The Trust, considered as a variable interest entity, is consolidated in the Corporation's financial statements with the value of the acquired shares presented as subordinate voting shares held in trust under the ISU Plan in reduction of capital stock. A compensation expense of $1,305,000 ($577,000 in 2010) was recorded for the year ended August 31, 2011. Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at August 31:

	2011	2010
Outstanding, beginning of year	**57,409**	–
Granted	**61,724**	63,666
Distributed	**(13,184)**	(5,027)
Forfeited	**(885)**	(1,230)
Outstanding, end of year	**105,064**	57,409

Deferred share unit plan

The Corporation established a Deferred Share Unit Plan ("DSU Plan") to assist in the attraction and retention of qualified individuals to serve on the Board of Directors ("Board") of the Corporation. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of deferred share units ("DSUs") with the balance, if any, being paid in cash. The number of DSUs that a member is entitled to receive is based on the average closing price of the subordinate shares on the Toronto Stock Exchange for the twenty consecutive trading days immediately preceding the date preceding by one day the date of grant. Dividend equivalents are awarded with respect to DSUs in a member's account on the same basis as if the member was a shareholder of record of subordinate shares on the relevant record date, and the dividend equivalents are credited to the individual's account as additional DSUs. DSUs are redeemable upon an individual ceasing to be a member of the Board or in the event of the death of the member. During the year, 4,521 (4,422 in 2010) DSUs were issued to the participants in connection with the DSU Plan. A compensation expense of $337,000 ($252,000 in 2010) was recorded for the year ended August 31, 2011 related to this plan. Under the DSU plan, the following DSUs were issued by the Corporation and are outstanding at August 31:

	2011	2010
Outstanding, beginning of year	**10,855**	10,000
Issued	**4,521**	4,422
Dividend equivalents	**232**	169
Redeemed	**–**	(3,736)
Outstanding, end of year	**15,608**	10,855

14. Accumulated other comprehensive income

			2011			2010
	Translation of a net investment in self-sustaining foreign subsidiaries	**Cash flow hedges**	**Total**	Translation of a net investment in self-sustaining foreign subsidiaries	Cash flow hedges	Total
(in thousands of dollars)	**$**	**$**	**$**	$	$	$
Balance, beginning of year	**15,439**	**2,920**	**18,359**	23,610	(4,029)	19,581
Other comprehensive income (loss)	**3,345**	**(928)**	**2,417**	(8,171)	6,949	(1,222)
Balance, end of year	**18,784**	**1,992**	**20,776**	15,439	2,920	18,359

15. Statements of cash flows

A) Changes in non-cash operating items

(in thousands of dollars)	**2011** **$**	2010 $
Accounts receivable	**(2,714)**	(8,527)
Income taxes receivable	**6,525**	(40,438)
Prepaid expenses and other	**1,992**	(154)
Accounts payable and accrued liabilities	**12,084**	863
Income tax liabilities	**58,782**	(40,350)
Deferred and prepaid revenue and other liabilities	**(1,696)**	11,076
	74,973	(77,530)

B) Fixed assets

During the year, fixed asset acquisitions amounted to $325,720,000 ($309,049,000 in 2010) none of which were acquired through capital leases ($141,000 in 2010). Disbursements for the acquisition of fixed assets totalled $325,720,000 ($308,908,000 in 2010).

C) Cash and cash equivalents

Cash and cash equivalents consist of:

(in thousands of dollars)	**2011** **$**	2010 $
Cash	**51,226**	35,842
Cash equivalents(1)	**4,221**	–
	55,447	35,842

(1) At August 31, 2011, term deposit of €3 million, bearing interest at 0.65%, maturing on September 19, 2011.

D) Other information

(in thousands of dollars)	**2011** **$**	2010 $
Financial expense paid	**72,238**	62,859
Income taxes paid (received)	**(2,507)**	41,019

16. Employee future benefits

The Corporation and its Canadian subsidiaries offer their employees contributory defined benefit pension plans, a defined contribution pension plan or a collective registered retirement savings plan. With respect to the last two plans, the Corporation and its subsidiaries' obligations are limited to the payment of the monthly employer's portion. Expenses related to these two plans amounted to $5,275,000 in fiscal year 2011 ($4,585,000 in 2010).

The Corporation and its subsidiaries sponsor a defined benefit pension plan for the benefit of its employees and a separate defined benefit pension plan for the benefit of its senior executives, which provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Corporation offers to its senior executives a supplementary pension plan. The Corporation measures plan assets at fair value and the accrued benefit obligation as at August 31 of each year for all plans. The most recent actuarial valuation for the pension plan for the benefit of the employees was as at August 31, 2010 and the next required valuations will be as at August 31, 2011. For the senior executives' plans, the most recent actuarial valuation was as at August 31, 2008, and the next required valuation will be as at August 31, 2011.

The total cash amount paid or payable for employee future benefits for all plans, consisting of cash contributed by the Corporation to its funded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, and cash contributed to its defined contribution plans, totalled $7,317,000 for the year ended August 31, 2011 ($6,094,000 in 2010).

The following table provides a reconciliation of the change in the plan benefit obligations and plan assets at fair value and a statement of the funded status as at August 31:

(in thousands of dollars)	**2011** **$**	2010 $
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	**18,504**	14,747
Current service cost	**1,310**	1,012
Past service cost	**99**	11
Interest cost	**1,101**	994
Contributions by plan participants	**397**	345
Benefits paid	**(706)**	(472)
Actuarial loss on obligation	**2,106**	1,867
Accrued benefit obligation, end of year	**22,811**	18,504
Plan assets at fair value		
Plan assets at fair value, beginning of year	**11,332**	9,546
Actual return on plan assets	**158**	636
Contributions by plan participants	**397**	345
Employer contributions	**1,323**	1,277
Benefits paid	**(706)**	(472)
Plan assets at fair value, end of year	**12,504**	11,332
Funded status		
Plan assets at fair value	**12,504**	11,332
Accrued benefit obligation	**22,811**	18,504
Plan deficit	**10,307**	7,172
Unamortized actuarial losses	**(6,174)**	(3,771)
Unamortized past service cost	**(679)**	(666)
Net accrued benefit liability	**3,454**	2,735

The net accrued benefit liability is included in the Corporation's balance sheet under "Pension plan liabilities and accrued employee benefits".

(in thousands of dollars)	2011 $	2010 $
Defined benefit pension costs		
Current service cost	**1,310**	1,012
Past service cost	**99**	11
Interest cost	**1,101**	994
Actual return on plan assets	**(158)**	(636)
Actuarial loss on obligation	**2,106**	1,867
Cost before adjustments to recognize the long-term nature of employee future benefits	**4,458**	3,248
Difference between past service cost and amortization of past service cost	**(13)**	74
Difference between expected return and actual return on plan assets	**(588)**	(58)
Difference between actuarial loss and amortization of net actuarial loss	**(1,815)**	(1,756)
Net benefit cost	**2,042**	1,508

Plan assets consist of:

	2011 %	2010 %
Equity securities	**61**	54
Debt securities	**38**	45
Other	**1**	1
Total	**100**	100

The significant weighted average assumptions used in measuring the Corporation's pension and other obligations are as follows:

	2011 %	2010 %
Accrued benefit obligation		
Discount rate	**4.70**	5.50
Rate of compensation increase	**3.00**	3.25
Defined benefit pension costs		
Discount rate	**5.50**	6.25
Expected long-term rate of return on plan assets	**6.25**	6.75
Rate of compensation increase	**3.25**	4.50

17. Financial and capital management

A) Financial management

Management's objectives are to protect the Corporation and its subsidiaries against material economic exposures and variability of results, and against certain financial risks including credit risk, liquidity risk, interest rate risk and foreign exchange risk.

Credit risk

Credit risk represents the risk of financial loss for the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations. The Corporation is exposed to credit risk arising from the derivative financial instruments, cash and cash equivalents and trade accounts receivable, the maximum exposure of which is represented by the carrying amounts reported on the balance sheet.

Credit risk from the derivative financial instruments arises from the possibility that counterparties to the cross-currency swaps agreements may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2011, management believes that the credit risk relating to its swaps is minimal, since the lowest credit rating of the counterparties to the agreements was A.

Cash and cash equivalents consist mainly of highly liquid investments, such as term deposits. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. In the current global economic environment, particularly in Portugal, the Corporation's credit exposure is higher but it is difficult to predict the impact this could have on the Corporation's accounts receivable balances. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new major customer. At August 31, 2011, no customer balance represents a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market area in Canada and Portugal, there is no significant concentration of credit risk. The following table provides further details on the Corporation's accounts receivable balances:

	2011	2010
(in thousands of dollars)	$	$
Trade accounts receivable	**74,429**	67,189
Allowance for doubtful accounts	**(7,242)**	(7,478)
	67,187	59,711
Other accounts receivable	**7,567**	7,353
	74,754	67,064

The following table provides further details on trade accounts receivable, net of allowance for doubtful accounts. Trade accounts receivable past due is defined as amount outstanding beyond normal credit terms and conditions for the respective customers. A large portion of the Corporation's customers are billed in advance and are required to pay before their services are rendered. The Corporation considers amount outstanding at the due date as trade accounts receivable past due.

	2011	2010
(in thousands of dollars)	$	$
Net trade accounts receivable not past due	**50,133**	42,817
Net trade accounts receivable past due	**17,054**	16,894
	67,187	59,711

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At August 31, 2011, the available amount of the Corporation's Term Revolving Facility was $625 million. Management believes that the committed Term Revolving Facility will, until its maturity in July 2014, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements.

The following table summarizes the contractual maturities of the financial liabilities and related capital amounts:

	2012	2013	2014	2015	2016	Thereafter	Total
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities(1)	237,249	–	–	–	–	–	237,249
Long-term debt(2)	–	–	410,000	–	186,086	355,000	951,086
Balance due on a business acquisition	–	11,400	–	–	–	–	11,400
Derivative financial instruments							
Cash outflows (Canadian dollar)	–	–	–	–	201,875	–	201,875
Cash inflows (Canadian dollar equivalent of US dollar)	–	–	–	–	(186,086)	–	(186,086)
Obligations under capital leases(3)	2,251	871	7	–	–	–	3,129
	239,500	12,271	410,007	–	201,875	355,000	1,218,653

(1) Excluding accrued interest.
(2) Principal excluding obligations under capital leases.
(3) Including interest.

The following table is a summary of interest payable on long-term debt (excluding interest on capital leases) that are due for each of the next five years and thereafter, based on the principal and interest rate prevailing on the current debt at August 31, 2011 and their respective maturities:

	2012	2013	2014	2015	2016	Thereafter	Total
	$	$	$	$	$	$	$
Interest payments on long-term debt	55,692	55,692	55,142	33,442	26,929	68,672	295,569
Interest payments on derivative financial instruments	14,614	14,614	14,614	14,614	7,307	–	65,763
Interest receipts on derivative financial instruments	(13,026)	(13,026)	(13,026)	(13,026)	(6,513)	–	(58,617)
	57,280	57,280	56,730	35,030	27,723	68,672	302,715

Interest rate risk

The Corporation is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At August 31, 2011, all of the Corporation's long-term debt was at fixed rate, except for the Corporation's Term Revolving Facility. The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the Term Revolving Facility is approximately $1.1 million based on the current debt at August 31, 2011.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars. In order to mitigate this risk, the Corporation has established guidelines whereby currency swap agreements can be used to fix the exchange rates applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes. Accordingly, on October 2, 2008, the Corporation entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes Series A issued on October 1, 2008. These agreements have the effect of converting the US interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625. The Corporation elected to apply cash flow hedge accounting on these derivative financial instruments.

The Corporation is also exposed to foreign exchange risk on cash and cash equivalents, bank indebtedness and accounts payable denominated in US dollars or Euros. At August 31, 2011, cash and cash equivalents denominated in US dollars amounted to US$8.8 million (US$13.6 million at August 31, 2010) while accounts payable denominated in US dollars amounted to US$30.9 million (US$15.9 million at August 31, 2010). At August 31, 2011, Euro-denominated cash and cash equivalents amounted to €353,000 (€187,000 at August 31, 2010). Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is usually not significant. The impact of a 10% change in the foreign exchange rates (US dollar and Euros) would change financial expense by approximately $2.1 million.

Furthermore, the Corporation's net investment in self-sustaining foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the Euro. This risk was mitigated since the major part of the purchase price for Cabovisão was borrowed directly in Euros. At August 31, 2011, the net investment amounted to €6.1 million (€182.1 million at August 31, 2010) while no long-term debt is denominated in Euros (€90 million at August 31, 2010). The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts at August 31, 2011 was $1.4071 per Euro compared to $1.3515 per Euro at August 31, 2010. The impact of a 10% change in the exchange rate of the Euro into Canadian dollars would change other comprehensive income by approximately $0.9 million.

Fair value

Fair value is the amount at which willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for debts of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The Corporation has determined the fair value of its financial instruments as follows:

a) The carrying amount of cash and cash equivalents, accounts receivable and accounts payable and accrual liabilities approximates fair value because of the short-term nature of these instruments.

b) Interest rates under the terms of the Corporation's Term Revolving Facility are based on bankers' acceptance, LIBOR, EURIBOR, bank prime rate loan or US base rate loan plus the applicable margin. Therefore, the carrying value approximates fair value for the Term Revolving Facility, since the Term Revolving Facility has conditions similar to those available to the Corporation.

c) The fair value of the Senior Secured Debentures Series 1 and 2, Senior Secured Notes Series A and B and Senior Unsecured Debenture are based upon current trading values for similar financial instruments.

d) The fair values of obligations under capital leases are not significantly different from their carrying amounts.

The carrying value of all the Corporation's financial instruments approximates fair value, except as otherwise noted in the following table:

		2011		2010
	Carrying amount	**Estimated fair value**	Carrying amount	Estimated fair value
(in thousands of dollars)	**$**	**$**	$	$
Long-term debt	**948,877**	**1,027,082**	954,983	1,050,696

In accordance with CICA Handbook Section 3862, *Financial instruments – disclosures*, all financial instruments recognized at fair value on the consolidated balance sheet must be classified based on the three fair value hierarchy levels, which are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation considers that its derivative financial instruments are classified as Level 2 under the fair value hierarchy. The fair value of derivative financial instruments is estimated using valuation models that reflect projected future cash flows over contractual terms of the derivative financial instruments and observable market data, such as interest and currency exchange rate curves.

B) Capital management

The Corporation's objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including growth opportunities. The Corporation manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. Management of the capital structure involves the issuance of new debt, the repayment of existing debts using cash generated by operations and the level of distribution to shareholders.

The capital structure of the Corporation is composed of shareholders' equity, bank indebtedness, long-term debt, balance due on a business acquisition and assets or liabilities related to derivative financial instruments.

The provisions under the Term Revolving Facility provide for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before amortization, financial expense and total indebtedness. At August 31, 2011 and 2010, the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

The following table summarizes certain of the key ratios used by management to monitor and manage the Corporation's capital structure:

	2011	2010
Net senior indebtedness[(1)] / operating income before amortization	**1.4**	1.6
Net indebtedness[(2)] / operating income before amortization	**1.6**	1.8
Operating income before amortization / financial expense	**7.9**	7.9

(1) Net senior indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Senior Unsecured Debenture.
(2) Net indebtedness is defined as the total of bank indebtedness, principal on long-term debt, balance due on a business acquisition and obligations under derivative financial instruments, less cash and cash equivalents.

18. Commitments, contingencies and guarantees

Commitments

As at August 31, 2011, the Corporation and its subsidiaries are committed under operating lease agreements and other long-term contracts to make annual payments as follows:

	2012	2013	2014	2015	2016	Thereafter
(in thousands of dollars)	$	$	$	$	$	$
Operating lease agreements	18,653	17,075	16,862	16,510	16,211	27,695
Other long term contracts	8,017	7,211	1,432	750	750	2,250
	26,670	24,286	18,294	17,260	16,961	29,945

Contingencies

The Corporation and its subsidiaries are involved in matters involving litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Corporation's exposure to litigation to be significant to these financial statements.

Guarantees

In the normal course of business, the Corporation enters into agreements containing features that meet the criteria of a guarantee including the following:

Stamp taxes and withholding taxes

During fiscal years 2008, 2010 and 2011, the Corporation issued letters of credit amounting to €1.7 million, €2.2 million and €6.8 million to guarantee the payment by Cabovisão of stamp taxes for the 2000 through 2002 years and stamp taxes and withholding taxes for the year 2005 and 2006 assessed by the Portuguese tax authorities, which are all currently being challenged by Cabovisão. Even though the principal amounts in dispute are recorded as necessary in the books of its subsidiary Cabovisão, the Corporation may be required to pay the amounts following final judgments, up to a maximum aggregate amount of €10.6 million ($15 million), should Cabovisão fail to pay such required amounts.

Business acquisitions and asset disposals

In connection with the acquisition or sale of a business or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Corporation has agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale. The term and amount of such indemnification will sometimes be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability required to be paid to guaranteed parties. In management's opinion, the likelihood that a significant liability will be incurred under these obligations is low. The Corporation has purchased directors' and officers' liability insurance with a deductible per loss. At August 31, 2011 and 2010, no liability has been recorded associated with these indemnifications.

Long-term debt

Under the terms of the Senior Secured Notes, the Corporation has agreed to indemnify the other parties against changes in regulations relative to withholding taxes and costs incurred by the lenders due to changes in laws. These indemnifications extend for the term of the related financings and do not provide any limit on the maximum potential liability. The nature of the indemnification agreement prevents the Corporation from estimating the maximum potential liability it could be required to pay. At August 31, 2011 and 2010, no liability has been recorded associated with these indemnifications.

19. Related party transactions

Cogeco Cable Inc. is a subsidiary of COGECO Inc., which holds 32.2% of the Corporation's equity shares, representing 82.6% of the votes attached to the Corporation's voting shares. As of September 1, 1992, Cogeco Cable Inc. executed a management agreement with COGECO Inc. under which the parent company agreed to provide certain executive, administrative, legal, regulatory, strategic and financial planning services and additional services to the Corporation and its subsidiaries (the "Management Agreement"). These services are provided by COGECO Inc.'s senior executives, including the President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, the Vice President, Corporate Affairs, the Vice President, Chief Legal Officer and Secretary, the Vice President and Treasurer and the Vice President, Public Affairs and Communications. No direct remuneration is payable to such senior executives by the Corporation. The Corporation granted 35,800 (33,266 in 2010) stock options and 10,000 (9,981 in 2010) incentive share units to these senior executives, who also are COGECO Inc.'s senior executives during fiscal year 2011. During fiscal year 2011, the Corporation charged COGECO Inc. an amount of $449,000 ($338,000 in 2010) with regards to the Corporation's stock options and Incentive Share Units granted to COGECO Inc.'s employees.

Under the Management Agreement, the Corporation pays monthly fees equal to 2% of its total revenue to COGECO Inc. for the above-mentioned services. In 1997, the management fee was capped at $7 million per year, subject to annual adjustments based on increase in the Consumer Price Index in Canada. The Audit Committee of the Corporation can increase the cap under certain circumstances upon request to that effect by COGECO Inc. Accordingly, for fiscal year 2011 and 2010, the maximum amount of $9,172,000 and $9,019,000 respectively was paid to COGECO Inc. In addition, the Corporation reimburses COGECO Inc.'s out-of-pocket expenses incurred with respect to services provided to the Corporation under the Management Agreement.

20. Non-monetary transactions

During fiscal year 2011 and 2010, the Corporation has entered into non-monetary transactions for amounts of $4,206,000. Related revenue and operating costs of an equivalent amount were recorded.

21. Governmental assistance

In 2011, the Corporation recorded tax credits related to research and development costs in the amount of $790,000 ($921,000 in 2010). These credits were accounted for as a reduction of the fixed assets for an amount of $246,000 ($842,000 in 2010) and as a reduction of operating costs for an amount of $544,000 ($79,000 in 2010).

22. Subsequent event

2011 Federal budget

A Notice of Ways and Means Motion and Explanatory Notes to implement certain tax measures of the 2011 federal budget were tabled on October 3, 2011. The Motion received First Reading as part of Bill C-13, on October 4, 2011, resulting in measures limiting the tax deferrals for corporations with a significant interest in a partnership being considered substantively enacted from that day. Under the transitional relief measures, some income will be taxed over a period of five years rather than being taxed all in fiscal 2012. Decreasing income tax rates over the next five years will reduce the income tax expense by approximately $4 million in the first quarter of fiscal 2012.

23. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.