

SHAW COMMUNICATIONS INC

Form SUPPL

November 14, 2003

PROSPECTUS SUPPLEMENT

(To base shelf prospectus dated November 23, 2001

as amended by a prospectus amendment dated November 6, 2003)

Filed pursuant to General  
Instruction II.L of Form F-10;  
File No. 333-110416**Shaw Communications Inc.****Cdn\$350,000,000 7.50% Senior Notes due November 20, 2013**

We will pay interest on the notes on May 20 and November 20 of each year, beginning May 20, 2004. The notes will mature on November 20, 2013. We may redeem some or all of the notes at any time at the greater of 100% of the principal amount and the Canada Yield Price. We may also redeem all of the notes at any time in the event that certain changes affecting Canadian taxation occur. The notes do not have the benefit of any sinking fund.

The notes will be unsecured obligations and will rank equally with our unsecured senior indebtedness.

**Investing in the notes involves risks that are described in the Risk Factors section beginning on page 21 of the accompanying prospectus.**

	Per Note	Total(3)
Public offering price(1)	100%	Cdn\$ 350,000,000
Underwriting commission(2)	1.9%	Cdn\$ 6,550,000
Proceeds, before other expenses, to Shaw(1)	98.1%	Cdn\$ 343,450,000

(1) Plus accrued interest from November 20, 2003, if settlement occurs after that date.

(2) We have agreed to pay the Underwriters a commission of 1.5% per note sold by closing to institutions and 2.5% per note for all other sales. The underwriting commission set forth in the table assumes the sale of \$220 million principal amount of notes to institutions.

(3) We estimate our offering expenses to be Cdn \$400,000.

We are permitted to prepare this prospectus supplement and the accompanying prospectus in accordance with Canadian disclosure requirements, which are different from those of the United States. We prepare our financial statements in accordance with Canadian generally accepted accounting principles, and they are subject to Canadian auditing and auditor independence standards. They may not be comparable to financial statements of United States companies.

Owning the notes may subject you to tax consequences in both the United States and Canada. This prospectus supplement and the accompanying prospectus may not describe these tax consequences fully. Please read the section titled **Certain Income Tax Information** in this prospectus supplement.

Your ability to enforce civil liabilities under the United States federal securities laws may be affected adversely because we are incorporated in Alberta, Canada, some of our officers and directors and some of the experts named in this prospectus supplement and the accompanying prospectus are Canadian residents, and substantially all of our assets are located in Canada.

Neither the United States Securities and Exchange Commission nor any state securities regulator has approved or disapproved these securities, or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

**Under applicable Canadian securities legislation, we may be considered to be a connected issuer to each of the underwriters as they are affiliates of lenders to the Corporation and to which the Corporation is presently indebted. The net proceeds of the sale of the notes will be used to reduce our indebtedness to certain of such lenders. See **Plan of Distribution**, **Consolidated Capitalization** and **Use of Proceeds**.**

The Underwriters expect to deliver the notes in book-entry form only through The Canadian Depository for Securities Limited to purchasers on or about November 20, 2003. **There is currently no market through which the notes may be sold and purchasers may not be able to resell notes purchased under this prospectus supplement.**

**RBC Capital Markets**  
**CIBC World Markets**

**TD Securities**

**Harris Nesbitt**

**Merrill Lynch & Co.**

**NBF Securities (USA)**

**Scotia Capital**

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The date of this prospectus supplement is November 13, 2003.

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**IMPORTANT NOTICE ABOUT INFORMATION IN  
THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS**

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the notes being offered. The second part, the accompanying base shelf prospectus of Shaw dated November 23, 2001, as amended by a prospectus amendment dated November 6, 2003, gives more general information, some of which does not apply to the notes being offered. The accompanying base shelf prospectus (as amended) is referred to as the prospectus in this prospectus supplement.

**Where the description of the notes varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.**

**You should rely on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not and the underwriters have not authorized anyone to provide you with different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted by law. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as information we previously filed with the Canadian securities regulatory authorities and the United States Securities and Exchange Commission ( SEC ) and incorporated by reference, is accurate as of their respective dates only. Our business, financial condition, results of operations and prospects may have changed since those dates.**

This prospectus supplement and the accompanying prospectus are part of a registration statement on Form F-10 relating to our Debt Securities, Class 1 Preferred Shares and Class 2 Preferred Shares that we filed with the SEC. We have not registered our Class B Non-Voting Participating Shares with the SEC and will not make offers or sales of such Class B Non-Voting Participating Shares in the United States pursuant to any prospectus supplement and the accompanying prospectus.

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**Amendment No. 1 to the Short Form Base Shelf Prospectus**

**Prospectus**

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In this prospectus supplement, all capitalized terms and acronyms used and not otherwise defined herein have the meanings provided in the accompanying prospectus or the documents incorporated by reference therein. All financial information included and incorporated by reference in this prospectus supplement and the accompanying prospectus is determined using Canadian generally accepted accounting principles ( Canadian GAAP ), other than note 21 to our annual audited consolidated financial statements which provides a reconciliation to U.S. generally accepted accounting principles.

### CURRENCY EXCHANGE RATES

We publish our consolidated financial statements in Canadian dollars. Unless otherwise specified, all dollar amounts contained herein are expressed in Canadian dollars, and references to dollars , Cdn\$ or \$ are to Canadian dollars and references to US\$ are to United States dollars.

The following table sets forth, for each period indicated, the high and low exchange rates, the average of such exchange rates on the last business day of each month during such period, and the exchange rate at the end of such period, based on the noon buying rate in The City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the noon buying rate ). These rates are set forth as United States dollars per Cdn\$1.00 and are the inverse of rates quoted by the Federal Reserve Bank of New York for Canadian dollars per US\$1.00. On November 13, 2003, the inverse of the noon buying rate was Cdn\$1.00 equals US\$0.7692.

	Year Ended August 31,	
	2003	2002
High	0.7492	0.6619
Low	0.6349	0.6200
Average	0.6767	0.6355
Period End	0.7220	0.6416

### WHERE YOU CAN FIND MORE INFORMATION

This prospectus supplement is deemed to be incorporated by reference into the accompanying prospectus solely for the purposes of the offering of the notes.

**Information has been incorporated by reference in this prospectus supplement from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Shaw Communications Inc., Suite 900, 630 3rd Avenue S.W., Calgary, Alberta, T2P 4L4 (telephone (403) 750-4500) or by accessing those documents incorporated by reference through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which may be accessed at [www.sedar.com](http://www.sedar.com). For the purpose of the Province of Quebec, this prospectus supplement contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of Shaw Communications Inc. at the above-mentioned address and telephone number.

With respect to the offering of the notes hereunder in the United States, we have filed with the SEC a registration statement on Form F-10 under the United States Securities Act of 1933, as amended. This prospectus supplement and the accompanying prospectus, which forms a part of the registration statement, does not contain all the information set forth in the registration statement, certain parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information with respect to us, and the notes offered in this prospectus supplement, reference is made to the registration statement and to the schedules and exhibits filed therewith. Statements contained in this prospectus supplement and the accompanying prospectus as to the contents of certain documents are not necessarily complete and, in each instance,

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reference is made to the copy of the document filed as an exhibit to the registration statement. Each such statement is qualified in its entirety by such reference.

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance therewith file reports and other information with the SEC. Under a multijurisdictional disclosure system adopted by the United States and Canada, such reports and other information may be prepared in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. We are exempt from the rules under Section 14 of the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. Under the Exchange Act, we are not required to publish financial statements as frequently or as promptly as U.S. companies. Any information filed with the SEC can be read and copied at prescribed rates at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549.

Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. Since November 4, 2002, we have been filing documents with the SEC electronically, and these filed documents are available through the SEC's Internet site. The SEC's World Wide Web address is [www.sec.gov](http://www.sec.gov).

Under the short form prospectus system adopted by the securities commissions and other regulatory authorities in each of the provinces of Canada and under the multijurisdictional disclosure system adopted by the United States and Canada, we are permitted to incorporate by reference the information we file with securities commissions in Canada, which means that we can disclose important information to you by referring you to those documents. Information that is incorporated by reference is an important part of this prospectus supplement. We incorporate by reference the documents listed below, which were filed with the securities commission or other similar authority in each of the provinces of Canada and with the SEC:

- (a) our audited consolidated financial statements which include balance sheets as at August 31, 2003 and 2002, statements of loss and retained earnings (deficit) and cash flows for each of the years in the three year period ended August 31, 2003 and the related notes thereto, together with the auditors' report thereon;
- (b) management's discussion and analysis with respect to the year ended August 31, 2003;
- (c) our Proxy Information Circular and Management Solicitation dated November 7, 2002, excluding the information contained therein under the headings "Composition of the Compensation Committee", "Report on Executive Compensation", "Performance Graph" and "Statement of Corporate Governance"; and
- (d) our Annual Information Form dated January 17, 2003, excluding the information incorporated therein under the heading "Management's Discussion and Analysis" and the information in section 2(c) under the heading "Additional Information".

Any documents of the type referred to in the preceding paragraph or similar material, including all material change reports and interim financial statements, disclosing additional or updated information filed by us with securities commissions or similar authorities in the relevant provinces of Canada subsequent to the date of this prospectus supplement shall be deemed to be incorporated by reference into this prospectus supplement. We also incorporate by reference any information we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, if and to the extent expressly provided in such filing, until we sell all of the notes.

**Any statement contained in this prospectus supplement and prospectus or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement and prospectus shall be deemed to be modified or superseded for purposes of this prospectus supplement and prospectus to the extent that a statement contained in this prospectus supplement and prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus supplement and**

**prospectus modifies or supersedes such prior statement. Any statement or document so modified or superseded shall not, except to the extent so modified or superseded, be incorporated by reference and constitute a part of this prospectus supplement and prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes.**

### FORWARD LOOKING STATEMENTS

Certain statements included and incorporated by reference herein constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. When used herein, the words anticipate, believe, expect, plan, intend, estimate and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. Forward-looking statements include, but are not limited to, references to future capital expenditures, business strategies, competitive strengths, goals, expansion and growth of our business and operations, and plans and references to our future success. These forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments as well as other factors we believe are appropriate in the circumstances. Many factors could cause our actual results, performance or achievements to be materially different from the views expressed or implied by such forward-looking statements, including, but not limited to:

general economic, market or business conditions and industry trends;

opportunities (or lack thereof) that may be presented to and pursued by Shaw;

increased competition in our markets and from the development of new markets for emerging technologies;

changing conditions in the entertainment, information and communications industries;

our status as a holding company with separate operating subsidiaries;

changes in laws, regulations and decisions by regulators in our industries in both Canada and the United States;

the concentration of control of Shaw;

risks associated with the economic, political and regulatory policies of local governments and laws and policies of Canada and the United States;

other risks and uncertainties described from time to time in our reports and filings with Canadian and U.S. securities regulatory authorities; and

other factors, many of which are beyond the control of Shaw.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, our actual results, performance or achievements may vary materially from those described herein. Consequently, all of the forward-looking statements made in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Shaw will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Shaw.



**SHAW COMMUNICATIONS INC.**

We are a diversified Canadian communications company whose core business is providing broadband cable television, Internet and satellite services. We provide broadband cable television, Internet and satellite services to approximately 2.9 million customers. We also hold a portfolio of investments in telecommunications, Internet infrastructure and interactive television companies. Our total revenue for the years ended August 31, 2003 and 2002, was approximately \$2,076.7 million and \$1,914.3 million, respectively. As at August 31, 2003, we had assets of approximately \$7.6 billion. Our executive offices are at Suite 900, 630 3rd Avenue S.W., Calgary, Alberta, Canada, T2P 4L4; telephone number (403) 750-4500.

**USE OF PROCEEDS**

The net proceeds from the sale of the notes offered hereby, after payment of estimated expenses of the offering and Underwriters commission, will be approximately \$343.0 million. The aggregate net proceeds of this offering together with a draw down of our revolving credit facilities will be used to repay our \$350 million bank term loan due February 10, 2006. See Consolidated Capitalization .

Under applicable Canadian securities legislation, we may be considered to be a connected issuer to each of the Underwriters as they are affiliates of lenders to us and to which we are presently indebted. We will use the net proceeds of the sale of the notes to reduce our indebtedness to certain of such lenders. See Plan of Distribution and Consolidated Capitalization .

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## CONSOLIDATED CAPITALIZATION

The following table summarizes our consolidated capitalization at August 31, 2003 in accordance with Canadian GAAP, both actual and as adjusted to give effect to the issuance of the notes and the application of the net proceeds thereof as described under "Use of Proceeds". The information presented below should be read in conjunction with our annual audited consolidated financial statements, as described under "Where You Can Find More Information" in this prospectus supplement.

	August 31, 2003	
	Actual(1)	As Adjusted(2)
(in thousands of dollars)		
Long-term debt(3)		
Corporate		
Bank loans(4) non-revolving	565,198	215,198
Bank loans(4) revolving	41,600	48,550
Senior Notes due 2005(4)	275,000	275,000
Senior Notes due 2007(4)	300,000	300,000
U.S. \$ Senior Notes (US\$440 million) due 2010(4)	609,708	609,708
U.S. \$ Senior Notes (US\$225 million) due 2011(4)	311,783	311,783
U.S. \$ Senior Notes (US\$300 million) due 2011(4)	415,710	415,710
Cdn. \$ Senior Notes (Cdn\$350 million) due 2013 offered hereby(5)		350,000
Other subsidiaries		
Cancom Structured Note, due December 15, 2003(4)	250,000	250,000
Videon CableSystems Inc. 8.15% Senior Debentures due April 26, 2010(4)	130,000	130,000
Burrard Landing Lot 2 Holdings Partnership (the Partnership)(4)	18,069	18,069
<b>Total long-term debt</b>	<b>2,917,068</b>	<b>2,924,018</b>
Shareholders' equity(3)		
Preferred Securities (COPrS)(6)	691,065	691,065
Zero Coupon Loan(6)	33,858	33,858
Class A and Class B shares	2,109,955	2,109,955
Deficit and cumulative translation adjustment	(339,812)	(339,812)
<b>Total shareholders' equity</b>	<b>2,495,066</b>	<b>2,495,066</b>
<b>Total capitalization</b>	<b>5,412,134</b>	<b>5,419,084</b>

(1) Subsequent to August 31, 2003, the following significant changes in capitalization have occurred:

we repaid approximately \$10.8 million of our non-revolving bank facility with cash from operations and the draw down of approximately \$6.4 million on our revolving bank facility.

the Partnership drew down approximately \$11.0 million of its credit facility, of which our proportionate share was \$4.2 million.

(2) As adjusted to reflect the repayment of our \$350 million term loan due February 10, 2006 (included under "Bank loans non-revolving") with the aggregate net proceeds of the offering of notes of \$343.0 million (assuming the sale of \$220 million principal amount of notes to institutions), together with the draw down of the revolving bank loans of \$7.0 million. As a result of the repayment of the \$350 million term loan, \$1.5 million of financing charges included in deferred charges will be charged against income. In addition, we have a \$350 million interest rate swap which fixes the interest rate on the \$350 million term loan. We may terminate the interest rate swap at an estimated cost of \$1.0 million. Such cost would be charged against income.

(3) Under U.S. GAAP, the existing COPrS and Zero Coupon Loan would be treated as debt. On that basis, the August 31, 2003, actual and the as adjusted long-term debt would increase by approximately

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\$0.7 billion and the actual and as adjusted shareholders' equity would decrease by approximately the same amount.

- (4) The general terms of these long-term debt obligations are detailed in note 9 to our annual audited financial statements incorporated by reference herein.
- (5) The notes are senior unsecured obligations and rank equally and ratably with all our existing and future senior unsecured indebtedness. The notes are redeemable at our option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a make-whole premium.
- (6) The general terms and respective priorities of the COPrS and Zero Coupon Loan are detailed in note 11 to our annual audited financial statements incorporated by reference herein.

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## DESCRIPTION OF THE NOTES

The following description of the particular terms of the notes supplements, and to the extent inconsistent therewith replaces, the description of the debt securities set forth under "Description of the Debt Securities" in the accompanying prospectus and should be read in conjunction with that description.

The notes offered hereby will be issued under the Trust Indenture, as supplemented by a first supplemental trust indenture to be dated November 20, 2003 (the "Supplemental Indenture") between the Corporation and the Trustee providing for, among other things, the creation and issue of the notes. The Trust Indenture and the Supplemental Indenture are collectively referred to in this prospectus supplement as the Indenture.

Copies of the Indenture are available from us upon request. The following summaries of certain provisions of the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture, including the definitions therein of certain terms. For the purposes of this summary only, the term "Corporation" refers to Shaw Communications Inc. and not to any of its Subsidiaries. Other capitalized terms that are not defined in either this prospectus supplement or the accompanying prospectus are defined in the Indenture.

### General

The notes will mature on November 20, 2013. The notes will bear interest at the rate per annum set forth on the cover page of this prospectus supplement from the date of original issuance, or from the most recent date to which interest has been paid or duly provided for, payable semi-annually in arrears on each May 20 and November 20 (the "Interest Payment Dates"), commencing May 20, 2004 to the persons in whose names the notes are registered at the close of business on May 5 or November 5 (the "Regular Record Dates"), as the case may be, immediately prior to such Interest Payment Dates, regardless of whether any such Regular Record Date is a business day. Interest on the notes will be computed on the basis of a 365-day year.

The Corporation may from time to time, without the consent of the holders of the notes, create and issue additional Debt Securities under the Trust Indenture in addition to the notes.

The notes will be unsecured and unsubordinated obligations of the Corporation and will rank *pari passu* in right of payment with all existing and future unsecured, unsubordinated obligations of the Corporation. The Indenture will not limit the ability of the Corporation to incur additional indebtedness.

Substantially all of Shaw's business activities are operated by its Subsidiaries. As a holding company, the Corporation's ability to meet its financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from its subsidiaries together with proceeds raised by the Corporation through the issuance of equity and debt securities, from the proceeds of incurrence of debt and from the proceeds from the sale of assets.

In addition, because the Corporation is a holding company, the notes are effectively subordinated to all existing and future liabilities, including trade payables and other indebtedness, of the Corporation's Subsidiaries, except to the extent the Corporation is a creditor of such Subsidiaries. As at August 31, 2003, indebtedness and other liabilities, including trade liabilities, of the Corporation's Subsidiaries totalled approximately \$707.1 million, excluding intercompany liabilities.

The notes will be issued in fully registered form only in denominations of \$1,000, and integral multiples thereof. The notes will initially be issued as global notes (the "Global Notes"). Beneficial interests in the Global Notes representing the notes will be shown on, and transfers thereof will be effected only through, records maintained by CDS and its participants. See "The Depository, Book-Entry and Settlement" below.

As described herein, under certain limited circumstances, the notes may be issued in certificated non-book-entry form in exchange for a Global Note. See "The Depository, Book-Entry and Settlement" below. In the event that the notes are issued in certificated non-book-entry form, the notes will be issued in denominations of \$1,000, and integral multiples thereof. Payments on notes issued as a Global Note will be made to CDS or a successor depository. In the event that the notes are issued in certificated non-book-entry

form, principal and interest will be payable, the transfer of such notes will be registrable and such notes will be exchangeable for notes in other denominations of a like aggregate principal amount at the corporate trust office of the Trustee, 600, 530 8th Avenue S.W., Calgary, Alberta, T2P 3S8 (telephone number: (403) 267-6894) or its designated agent. Payment of principal and interest will be made by cheque mailed to the address of the holder entitled thereto.

### Certain Covenants

The Indenture will contain, among others, the following covenants:

#### *Limitation on Liens*

So long as any notes are outstanding, the Corporation will not, and will not permit any Subsidiary of the Corporation to, create, incur or assume any Lien securing any indebtedness for borrowed money or interest thereon (or any liability of the Corporation or such Subsidiary under any guarantee or endorsement or other instrument under which the Corporation or such Subsidiary is contingently liable, either directly or indirectly, for borrowed money or interest thereon), other than Permitted Liens, without also simultaneously or prior thereto securing, or causing such Subsidiary to secure, indebtedness under the Indenture so that the notes are secured equally and ratably with or prior to such other indebtedness or liability for so long as such other indebtedness or liability remains secured.

*Permitted Liens* of any Person at any particular time means:

- (i) Liens existing on the date of the Indenture;
- (ii) any Lien in favor of a governmental entity in connection with the operations of such Person or any Subsidiary of such Person and not in respect of the financing thereof;
- (iii) Liens in favor of such Person or a Wholly-Owned Subsidiary of such Person (but only so long as it is a Wholly-Owned Subsidiary of such Person);
- (iv) Purchase Money Mortgages;
- (v) Liens on property or assets existing at the time of acquisition thereof by such Person, provided that such Liens were not incurred in anticipation of such acquisition;
- (vi) Liens on property or assets of a corporation existing at the time such corporation becomes a Subsidiary of such Person, or is liquidated or merged into, or amalgamated or consolidated with, such Person or Subsidiary of such Person or at the time of the sale, lease or other disposition to such Person or Subsidiary of such Person of all or substantially all of the properties and assets of a corporation;
- (vii) any renewal, refunding or extension of any Lien referred to in the foregoing clauses (i) through (vi), inclusive, *provided* that the principal amount of indebtedness secured thereby after such renewal, refunding or extension is not increased and the Lien is limited to the property or assets originally subject thereto and any improvements thereon;
- (viii) Liens securing Debt permitted to be incurred under clause (6) under the *Limitation on Debt and Preferred Stock of Subsidiaries* covenant; provided that any such Lien is limited to the property or assets of the Subsidiary incurring or issuing such Debt;
- (ix) Liens securing Non-Recourse Debt the principal amount of which is exchangeable for the securities of or ownership interests in another entity provided that any such Lien extends to or covers only such securities or ownership interests and the proceeds thereof underlying such Non-Recourse Debt; and
- (x) Liens securing indebtedness not secured by Liens referred to in the foregoing clauses (i) through (ix), inclusive, in an aggregate principal amount, together with Attributable Value of any Sale and Leaseback Transactions entered into pursuant to clause (i) of the *Limitation on Sale*

*and Leaseback Transactions* covenant and any Debt or Preferred Stock incurred or issued pursuant to clause (1) of the *Limitation on Debt and Preferred Stock of Subsidiaries* covenant, at any one time outstanding not to exceed 15% of Consolidated Net Tangible Assets.

***Limitation on Sale and Leaseback Transactions***

So long as any notes are outstanding, the Corporation will not, and will not permit any Subsidiary of the Corporation to, enter into any Sale and Leaseback Transaction unless the Corporation or such Subsidiary receives fair value for the property sold or transferred as determined by the Board of Directors and either (i) the Corporation or such Subsidiary would be entitled to enter into such Sale and Leaseback Transaction pursuant to the provisions of the Indenture described under the *Limitation on Liens* covenant above without securing the notes or (ii) the Corporation or such Subsidiary shall apply, within 180 days of the consummation of such Sale and Leaseback Transaction, an amount equal to the Attributable Value in respect of the leases relating to such Sale and Leaseback Transaction to (a) the redemption, retirement or defeasance of the notes or other indebtedness of the Corporation or such Subsidiary with a maturity of greater than one year ranking *pari passu* with the notes or (b) the purchase of property substantially similar to the property sold or transferred as determined by the Board of Directors.

***Limitation on Debt and Preferred Stock of Subsidiaries***

So long as any notes are outstanding, the Corporation may not permit any Subsidiary to create, issue, assume, guarantee, or in any manner become directly or indirectly liable for the payment of, or otherwise incur (collectively, *incur*) any Debt or issue any Preferred Stock except:

- (1) Debt and Preferred Stock in an aggregate amount, together with Debt secured by a Lien pursuant to clause (viii) of the *Limitation on Liens* covenant and the Attributable Value of any Sale and Leaseback Transactions entered into pursuant to clause (i) of the *Limitation on Sale and Leaseback Transactions* covenant, not to exceed, as of the date of determination, 15% of the Consolidated Net Tangible Assets of the Corporation, excluding any Debt and Preferred Stock described in clauses (2) through (7), inclusive, below;
- (2) Debt and Preferred Stock outstanding on the date of the Indenture after giving effect to the application of the proceeds of the notes;
- (3) Debt incurred or Preferred Stock issued to and held by the Corporation or a Wholly-Owned Subsidiary of the Corporation (provided that such Debt or Preferred Stock is at all times held by the Corporation or a Wholly-Owned Subsidiary of the Corporation);
- (4) Debt incurred or Preferred Stock issued by a Person prior to the time (A) such Person became a Subsidiary of the Corporation, (B) such Person merges into or consolidates or amalgamates with a Subsidiary of the Corporation or (C) another Subsidiary of the Corporation merges into or consolidates or amalgamates with such Person (in a transaction in which such Person becomes a Subsidiary of the Corporation), which Debt or Preferred Stock was not incurred or issued in anticipation of such transaction and was outstanding prior to such transaction;
- (5) Debt or Preferred Stock which is exchanged for, or the proceeds of which are used to refinance or refund, any Debt or Preferred Stock permitted to be outstanding pursuant to clauses (2) and (4) above (or any extension or renewal thereof), in an aggregate principal amount, in the case of Debt, or liquidation preference, in the case of Preferred Stock, not to exceed the principal amount or liquidation preference of the Debt or Preferred Stock, respectively, so exchanged, refinanced or refunded plus the amount of any premium required to be paid in connection with such refinancing pursuant to the terms of the Debt or Preferred Stock so exchanged, refinanced or refunded or the amount of any premium reasonably determined by the Corporation as necessary to accomplish such refinancing by means of a tender offer or privately negotiated repurchase, plus the amount of expenses of the Corporation and the Subsidiary incurred in connection with such refinancing;

- (6) Non-Recourse Debt or Preferred Stock which is either (A) incurred or issued by a Subsidiary of the Corporation that is itself a public company (or by a Subsidiary of such a Subsidiary), or (B) incurred or issued by a Subsidiary of the Corporation that does not own or operate, directly or indirectly, a Cable Television System; and
- (7) Non-Recourse Debt which is exchangeable for the securities of or ownership interests in another entity in satisfaction of the principal amount thereof.

***Consolidation, Amalgamation, Merger and Sale of Assets***

The Corporation may not consolidate or amalgamate with or merge into any other corporation or other entity, or convey, transfer or lease, its properties and assets substantially as an entirety to any other Person, unless the entity formed by such consolidation or amalgamation or into which the Corporation is merged or the Person which shall have acquired or leased all such properties or assets (1) shall be a corporation, partnership or trust organized and existing under the laws of Canada or any province or territory thereof or the United States, any state thereof or the District of Columbia, and shall expressly assume the Corporation's obligations for the due and punctual payment of the principal of and premium, if any, and interest on the notes and the performance and observance of every covenant of the Indenture on the part of the Corporation to be performed and (2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing.

If, as a result of any such transaction, any properties or assets of the Corporation or any Subsidiary of the Corporation become subject to a Lien, then, unless such Lien could be created, incurred or assumed pursuant to the Indenture provisions described under the *Limitation on Liens* covenant above without equally and ratably securing the notes, the Corporation, simultaneously with or prior to such transaction, will cause the notes to be secured equally and ratably with or prior to the indebtedness secured by such Lien for so long as such indebtedness is secured thereby.

**Payment of Additional Amounts**

All payments made by or on behalf of the Corporation under or with respect to the notes will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other government charge (including penalties, interest and other liabilities related thereto) imposed or levied by or on behalf of the Government of Canada or of any province or territory thereof or by any authority or agency therein or thereof having power to tax ( Canadian Taxes ) unless the Corporation is required to withhold or deduct Canadian Taxes by law or by the interpretation or administration thereof by the relevant government authority or agency. If the Corporation is so required to withhold or deduct any amount for or on account of Canadian Taxes from any payment made under or with respect to the notes, the Corporation will pay as additional interest such additional amounts ( Additional Amounts ) as may be necessary so that the net amount received by each holder of notes after such withholding or deduction (including with respect to Additional Amounts) will not be less than the amount the holder of notes would have received if such Canadian Taxes had not been withheld or deducted (a similar indemnity will also be provided to holders of notes that are exempt from withholding but are required to pay tax directly on amounts otherwise subject to withholding); *provided, however*, that no Additional Amounts will be payable with respect to a payment made to a holder of notes (an Excluded Holder ) in respect of the beneficial owner thereof (i) with which the Corporation does not deal at arm's length (for purposes of the *Tax Act*) at the time of the making of such payment, (ii) which is subject to such Canadian Taxes by reason of its failure to comply with any certification, identification, information, documentation or other reporting requirement if compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or a reduction in the rate of deduction or withholding of, such Canadian Taxes or (iii) which is subject to such Canadian Taxes by reason of its carrying on business in or being connected in any way with Canada or any province or territory thereof otherwise than by the mere holding of notes or the receipt of payment thereunder. The Corporation will make such withholding or deduction and remit the full amount deducted or withheld to the relevant authority as and when required in accordance with applicable law. The Corporation



will pay all taxes, interest, penalties and other liabilities which arise by virtue of any failure of the Corporation to withhold, deduct and remit to the relevant authority on a timely basis the full amounts required in accordance with applicable law. The Corporation will furnish to the holder of the notes other than an Excluded Holder, within 30 days after the date the payment of any Canadian Taxes is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by the Corporation.

The foregoing obligations shall survive any termination, defeasance or discharge of the Indenture.

### **Optional Redemption**

The notes will be redeemable, in whole or in part, at the option of the Corporation at any time at a redemption price equal to the greater of:

(1) 100% of the principal amount of the notes, or

(2) the Canada Yield Price;

plus, in each case, accrued interest thereon to the date of redemption.

**Canada Yield Price** , means in respect of any redemption of the Notes issued hereunder, a price, as determined by the Independent Investment Banker, equal to the sum of the present values of the remaining scheduled payments of principal and interest on the notes (not including any portion of the payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 365 day year) at the Government of Canada Yield, plus 40 basis points.

**Government of Canada Yield** means, with respect to any redemption date, the arithmetic average, as determined by the Independent Investment Banker, of the yield to maturity on the third business day preceding the redemption date, compounded semi-annually, which a non-callable Government of Canada Bond would carry if issued, in Canadian Dollars in Canada, at 100% of its principal amount on such date with a term to maturity which most closely approximates the remaining term to maturity of the Notes to be redeemed from such day as quoted at by the Reference Dealers at 5:00 p.m. on such day.

**Independent Investment Banker** means one of the Reference Dealers selected by the Corporation.

**Reference Dealer** means, each of RBC Dominion Securities Inc. and TD Securities Inc. or their respective successors; *provided, however*, that if both shall cease to be a primary Canadian Government securities dealer in Toronto, Ontario, the Corporation shall substitute for them another Canadian investment dealer.

Notice of any redemption will be mailed at least 15 days but not more than 60 days before the redemption date to each holder of the notes to be redeemed.

Unless the Corporation defaults in payment of the redemption price, and on and after the redemption date, interest will cease to accrue on the notes or portion of the notes called for redemption.

### **Purchase for Cancellation**

Provided an Event of Default is not continuing, the Corporation will have the right to purchase any notes in the market or by tender or private contract at prices negotiated between the Corporation and willing sellers. Notes so purchased by the Corporation will be cancelled and will not be reissued.

### **Redemption for Changes in Canadian Tax Law**

The notes will be subject to redemption, in whole but not in part, at the option of the Corporation at any time at a redemption price equal to the principal amount thereof together with accrued and unpaid interest to the date fixed for redemption, upon the giving of a notice as described below, if (x) the Corporation determines that (a) as a result of any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Canada or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in or amendment to official position of such taxing authority regarding



application or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change or amendment is announced or becomes effective on or after the date of this prospectus supplement, the Corporation has or will become obligated to pay, on the next succeeding Interest Payment Date, Additional Amounts or (b) on or after the date of this prospectus supplement, any action has been taken by any taxing authority of, or any decision has been rendered by a court of competent jurisdiction in, Canada or any political subdivision or taxing authority thereof, including any of those actions specified in clause (a) above, whether or not such action was taken or decision was rendered with respect to the Corporation, or any change, amendment, application or interpretation shall be officially proposed, which, in any such case, in the written opinion to the Corporation of legal counsel of recognized standing, will result in an obligation to pay, on the next succeeding Interest Payment Date, Additional Amounts with respect to any notes and (y) in any such case the Corporation in its business judgment determines that such obligation cannot be avoided by the use of reasonable measures available to the Corporation; *provided however*, that (i) no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Corporation would be obligated to pay such Additional Amounts and (ii) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect.

In the event that the Corporation elects to redeem the notes pursuant to the provisions set forth in the preceding paragraph, the Corporation shall deliver to the Trustee a certificate, signed by an authorized officer, stating that the Corporation is entitled to redeem the notes pursuant to their terms.

Notice of intention to redeem the notes will be given not more than 60 nor less than 30 days prior to the date fixed for redemption and will specify the date fixed for redemption.

#### **Events of Default**

The following are summaries of Events of Default under the Indenture with respect to the notes: (a) default in the payment of any interest (including Additional Amounts) on any note when it becomes due and payable, and continuance of such default for a period of 30 days; (b) default in the payment of the principal of (or premium, if any, on) any note at its Maturity; (c) default in the performance, or breach, of any covenant or warranty of the Corporation in the Indenture in respect of the notes (other than a covenant or warranty a default in the performance of which or the breach of which is specifically dealt with elsewhere in the Indenture), and continuance of such default or breach for a period of 60 days after written notice to the Corporation by the Trustee or by the Holders of at least 25% in principal amount of all Outstanding Notes; (d) failure to pay when due, after the expiration of any applicable grace period, any portion of the principal of, or involuntary acceleration of the maturity of, (i) indebtedness for borrowed money of the Corporation, or (ii) indebtedness for borrowed money (other than Non-Recourse Debt permitted by clause (6) of the *Limitation on Debt and Preferred Stock of Subsidiaries* covenant) of any Subsidiary of the Corporation which is a major subsidiary (as such term is defined in National Instrument 55-101 of the Canadian Securities Administrators), in either case having an aggregate principal amount outstanding in excess of \$75 million; and (e) certain events in bankruptcy, insolvency or reorganization affecting the Corporation.

If an Event of Default occurs and is continuing with respect to the notes, then and in every such case the Trustee or the Holders of at least 25% in principal amount of the Outstanding Notes may declare the entire principal amount of all notes and all interest thereon to be immediately due and payable. However, at any time after a declaration of acceleration with respect to any notes has been made, but before a judgment or decree for payment of the money due has been obtained, the Holders of a majority in principal amount of the Outstanding Notes may, except in certain circumstances, by written notice to the Corporation and the Trustee rescind and annul such acceleration.

The Indenture provides that, subject to the duty of the Trustee during default to act with the required standard of care, the Trustee shall be under no obligation to exercise any of its rights and powers under the Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee reasonable indemnity. Subject to such provisions for indemnification of the Trustee and certain other limitations set forth in the Indenture, the Holders of a majority in principal amount of the Outstanding Notes

shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the notes.

No Holder of a note will have any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or a trustee, or for any other remedy thereunder, unless (a) such Holder has previously given to the Trustee written notice of a continuing Event of Default with respect to the notes, (b) the Holders of at least 25% in principal amount of the Outstanding Notes have made written request, and such Holder or Holders have offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, and (c) the Trustee has failed to institute such proceeding, and has not received from the Holders of a majority in aggregate principal amount of the Outstanding Notes a direction inconsistent with such request, within 60 days after such notice, request and offer. However, such limitations do not apply to a suit instituted by the Holder of a note for the enforcement of payment of the principal of or any premium or interest on such note on or after the applicable due date specified in such note.

The Corporation will be required to furnish to the Trustee annually a statement by certain of its officers as to whether or not the Corporation, to the best of their knowledge, is in compliance with all conditions and covenants of the Indenture and, if not, specifying all such known defaults.

### Defeasance

The Indenture provides that, at the option of the Corporation, the Corporation will be discharged from any and all obligations in respect of the Outstanding Notes (except with respect to the authentication, transfer, exchange or replacement of notes or the maintenance of a Place of Payment and certain other obligations set forth in the Indenture) upon irrevocable deposit with the Trustee, in trust, of money and/or Government Obligations which will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent chartered accountants to pay the principal of and premium, if any, and each instalment of interest, on the Outstanding Notes ( Defeasance ). Such trust may only be established if among other things (a) the Corporation has delivered to the Trustee an Opinion of Counsel in the United States stating that (x) the Corporation has received from, or there has been published by, the Internal Revenue Service a ruling, or (y) since the date of execution of the Indenture, there has been a change or clarification in the applicable United States federal income tax law, in either case to the effect that the Holders of the Outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Defeasance had not occurred; (b) the Corporation has delivered to the Trustee an Opinion of Counsel in Canada or a ruling from Canada Customs and Revenue Agency to the effect that the Holders of the Outstanding Notes will not recognize income, gain or loss for Canadian federal or provincial income or other tax purposes as a result of such Defeasance and will be subject to Canadian federal or provincial income and other tax on the same amounts, in the same manner and at the same times as would have been the case had such Defeasance not occurred (and for the purposes of such opinion, such Canadian counsel shall assume that Holders of the Outstanding Notes include Holders who are not resident in Canada); (c) no Event of Default or event that, with the passing of time or the giving of notice, or both, shall constitute an Event of Default shall have occurred and be continuing; (d) the Corporation is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada); (e) the Corporation has delivered to the Trustee an Opinion of Counsel to the effect that such deposit shall not cause the Trustee or the trust so created to be subject to the *U.S. Investment Company Act of 1940*, as amended; and (f) other customary conditions precedent are satisfied. The Corporation may exercise its Defeasance option notwithstanding its prior exercise of its Covenant Defeasance option described in the following paragraph if the Corporation meets the conditions described in the preceding sentence at the time the Corporation exercises the Defeasance option.

The Indenture provides that, at the option of the Corporation, unless and until the Corporation has exercised its Defeasance option described in the preceding paragraph, the Corporation may omit to comply with the *Limitation on Liens* , *Limitation on Sale and Leaseback Transactions* and *Limitation on Debt and Preferred Stock of Subsidiaries* covenants and certain other covenants and such omission shall not be deemed to be an Event of Default under the Indenture and the Outstanding Notes upon irrevocable deposit

with the Trustee, in trust, of money and/or Government Obligations which will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent chartered accountants to pay the principal of and premium, if any, and each instalment of interest, on the Outstanding Notes ( Covenant Defeasance ). If the Corporation exercises its Covenant Defeasance option, the obligations under the Indenture other than with respect to such covenants and the Events of Default other than with respect to such covenants shall remain in full force and effect. Such trust may only be established if, among other things, (a) the Corporation has delivered to the Trustee an Opinion of Counsel in the United States to the effect that the Holders of the Outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; (b) the Corporation has delivered to the Trustee an Opinion of Counsel in Canada or a ruling from Canada Customs and Revenue Agency to the effect that the Holders of the Outstanding Notes will not recognize income, gain or loss for Canadian federal or provincial income or other tax purposes as a result of such Covenant Defeasance and will be subject to Canadian federal or provincial income and other tax on the same amounts, in the same manner and at the same times as would have been the case had such Covenant Defeasance not occurred (and for the purposes of such opinion, such Canadian counsel shall assume that Holders of the Outstanding Notes include Holders who are not resident in Canada); (c) no Event of Default or event that, with the passing of time or the giving of notice, or both, shall constitute an Event of Default shall have occurred and be continuing; (d) the Corporation is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada); (e) the Corporation has delivered to the Trustee an Opinion of Counsel to the effect that such deposit shall not cause the Trustee or the trust so created to be subject to the *U.S. Investment Company Act of 1940*, as amended; and (f) other customary conditions precedent are satisfied.

#### **Consent to Jurisdiction and Service**

Under the Indenture, the Corporation will appoint CT Corporation System as its authorized agent for service of process in any suit or proceeding arising out of or relating to the notes or the Indenture for actions brought under United States federal or state securities laws in any federal or state court located in the City of New York, and will submit to the non-exclusive jurisdiction of such courts.

#### **Enforceability of Judgments in the United States**

Since substantially all of the assets of the Corporation, as well as the assets of a number of the directors and officers of the Corporation, are outside the United States, any judgment obtained in the United States against the Corporation or certain of the directors or officers thereof, including judgments with respect to the payment of principal and interest on the notes, may not be collectible within the United States.

The Corporation has been informed by its Canadian counsel, Fraser Milner Casgrain LLP, that the laws of the Province of Alberta and the federal laws of Canada applicable therein permit an action to be brought in a court of competent jurisdiction in the Province of Alberta on any final and conclusive judgment *in personam* of any federal or state court located in the State of New York (a New York Court ) against the Corporation, which judgment is subsisting and unsatisfied for a sum certain with respect to the enforceability of the Indenture and the notes that is not impeachable as void or voidable under the internal laws of the State of New York if (i) the New York Court rendering such judgment had jurisdiction over the judgment debtor, as recognized by the courts of the Province of Alberta (and submission by the Corporation in the Indenture to the jurisdiction of the New York Court will be sufficient for that purpose with respect to the notes); (ii) such judgment was not obtained by fraud or in a manner contrary to natural justice and the enforcement thereof would not be inconsistent with public policy, as such terms are understood under the laws of the Province of Alberta, or contrary to any order made by the Attorney General of Canada under the *Foreign Extraterritorial Measures Act* (Canada) or by the Competition Tribunal under the *Competition Act* (Canada); (iii) the enforcement of such judgment would not be contrary to the laws of general application limiting the enforcement of creditors' rights including bankruptcy, reorganization, winding up, moratorium and similar laws and does not constitute, directly or indirectly, the enforcement of foreign revenue, expropriatory or penal

laws in the Province of Alberta; (iv) no new admissible evidence relevant to the action or new right or defense is discovered prior to the rendering of judgment by the court in the Province of Alberta; (v) interest payable on the notes is not characterized by a court in the Province of Alberta as interest payable at a criminal rate within the meaning of section 347 of the *Criminal Code* (Canada); and (vi) the action to enforce such judgment is commenced within the appropriate limitation period; except that, under the *Currency Act* (Canada), any court in the Province of Alberta may only give judgment in Canadian dollars; and under the laws of Alberta, the appropriate date for such conversion when the action is on a foreign judgment may be other than the date of payment of the judgment. The Corporation has been advised by such Canadian counsel that there is doubt as to the enforceability in Canada by a court in original actions, or in motions to enforce judgments of the United States courts, of civil liabilities predicated solely upon the United States federal securities laws.

### **Governing Law**

The notes and the Indenture will be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

### **Certain Definitions**

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms.

**Attributable Value** means, as to any particular lease under which any Person is at the time liable for a term of more than 12 months, and at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the remaining term thereof (excluding any subsequent renewal or other extension option held by the lessee), discounted from the respective due dates to the date of determination at a rate equivalent to the rate used for the purposes of financial reporting in accordance with Canadian GAAP. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of insurance, taxes, assessments, utility, operating and labor costs and similar charges.

**Cable Television System** means the business of carrying on a licensed cable distribution undertaking under the *Broadcasting Act* (Canada).

**Capital Lease Obligation** of any Person means the obligation to pay rent or other payment amounts under a lease of (or other Debt arrangements conveying the right to use) real or personal property of such Person which is required to be classified and accounted for as a capital lease or a liability on the face of a balance sheet of such Person in accordance with generally accepted accounting principles and which has a term of at least 36 months. The stated maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

**Capital Stock** of any Person means any and all shares, interests, participations, rights in or other equivalents (however designated) of corporate stock of such Person.

**Consolidated Net Tangible Assets** means the total amount of assets of any Person on a consolidated basis, after deducting therefrom (i) all current liabilities (excluding any Debt classified as a current liability), (ii) all goodwill, tradenames, trademarks, patents, unamortized debt discount and financing costs and all other like intangible assets and (iii) appropriate adjustments on account of minority interests of other Persons holding shares of the Subsidiaries of such Person, all as set forth in the most recent balance sheet of such Person and its consolidated Subsidiaries (but, in any event, as of a date within 150 days of the date of determination) and computed in accordance with Canadian GAAP.

**Debt** means (without duplication), with respect to any person, whether recourse is to all or a portion of the assets of such person and whether or not contingent, (i) every obligation of such Person for money borrowed, (ii) every obligation of such Person evidenced by bonds, debentures, notes or other similar

instruments, including obligations incurred in connection with the acquisition of property, assets or businesses, (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person, (iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith), (v) every Capital Lease Obligation of such Person, (vi) the maximum fixed redemption or repurchase price of Disqualified Stock of such person at the time of determination, (vii) every obligation the payment of which could not be considered as interest in accordance with generally accepted accounting principles under interest rate or currency protection agreements of such Person and (viii) every obligation of the type referred to in clauses (i) through (vii) of another Person and all dividends of another Person the payment of which, in either case, such Person has Guaranteed or for which such Person is responsible or liable, directly or indirectly, as obligor, Guarantor or otherwise.

**Disqualified Stock** of any Person means any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the final Stated Maturity of the notes.

**Guarantee** by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt of any other Person (the primary obligor) in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt, (ii) to purchase property, securities or services for the purpose of assuring the holder of such Debt of the payment of such Debt, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt (and Guaranteed, Guaranteeing and Guarantor shall have the meanings correlative to the foregoing); *provided, however*, that the Guarantee by any Person shall not include endorsements by such Person for collection or deposit, in either case, in the ordinary course of business.

**Lien** means, with respect to any properties or assets, any mortgage or deed of trust, pledge, hypothecation, assignment for security, deposit arrangement, security interest, lien, charge or other security agreement or encumbrance of any kind or nature whatsoever on or with respect to such properties or assets (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

**Non-Recourse Debt** means Debt not owing to the Corporation or a Wholly-Owned Subsidiary thereof (a) for which none of the Corporation or any Subsidiary of the Corporation which owns or operates, directly or indirectly, a Cable Television System, is directly or indirectly liable, unless (i) such liability is expressly subordinated in right of payment to the prior payment of all principal of and interest on the notes, or (ii) such liability may be satisfied, at the option of the Corporation, by the issuance of Capital Stock which is not Disqualified Stock, and (b) no default with respect to any such Debt would permit the holder of any other Debt of the Corporation or any Subsidiary of the Corporation which owns or operates, directly or indirectly, a Cable Television System to accelerate the maturity of such other Debt.

**Preferred Stock** of any Person means Capital Stock of such Person of any class or classes (however designated) that ranks prior to, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person and shall be valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends.

**Purchase Money Mortgage** of any Person means any Lien created upon any property or assets of the Person to secure or securing the whole or any part of the purchase price of such property or assets or the whole or any part of the cost of constructing or installing fixed improvements thereon or to secure or securing the repayment of money borrowed to pay the whole or any part of such purchase price or cost or any vendor's

privilege or Lien on such property or assets securing all or any part of such purchase price or cost including title retention agreements and leases in the nature of title retention agreements.

**Sale and Leaseback Transaction** of any Person means an arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by such Person of any property or asset of such Person which has been or is being sold or transferred by such Person more than 12 months after the acquisition thereof or the completion of construction or commencement of operation thereof to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such property or asset. The stated maturity of such arrangement shall be the date of the last payment of rent or any other amount due under such arrangement prior to the first date on which such arrangement may be terminated by the lessee without payment of a penalty.

**Subsidiary** of any Person means a corporation more than 50% of the combined voting power of the outstanding Voting Stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof.

**Voting Stock** of any Person means Capital Stock of such Person which ordinarily has voting power for the election of directors (or Persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

**Wholly-Owned Subsidiary** of any Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly-Owned Subsidiaries of such Person or by such Person and one or more Wholly-Owned Subsidiaries of such Person.

#### **The Depository, Book-Entry and Settlement**

Except as otherwise provided below, the notes will be represented in the form of one or more fully registered global notes (the "Global Note") held by, or on behalf of, CDS as depository of the Global Note for the participants (the "participants") of CDS registered in the name of CDS or its nominee, and registration of ownership and transfers of the notes will be made through the depository system of CDS. On the closing date of this offering, CDS will credit interests in the Global Note representing the notes to the accounts of its participants as directed by the Underwriters. Direct and indirect participants in CDS, including The Depository Trust Company ("DTC"), Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), on behalf of their respective accountholders, will record beneficial ownership of the notes on behalf of their respective accountholders.

Except as described below, no purchaser of notes will be entitled to a certificate or other instrument from the Corporation or CDS evidencing that purchaser's ownership thereof, and no holder of a beneficial interest in the notes will be shown on the records maintained by CDS except through book-entry accounts of a participant of CDS acting on behalf of beneficial owners. Each purchaser of notes will receive confirmation of purchase from the Underwriters. CDS will be responsible for establishing and maintaining book-entry accounts for its participants having interests in the Global Note. Sales of interests in the Global Note can only be completed through participants in the depository service of CDS.

Certificated Securities will be issued to holders or their nominees, other than CDS or its nominee, only if (i) required to do so by applicable law, (ii) the depository system of CDS ceases to exist, (iii) the Corporation determines that CDS is no longer willing or able to discharge properly its responsibility as depository and the Corporation is unable to locate a qualified successor or (iv) the Corporation at its option elects to terminate the book-entry system through CDS.

The Corporation, the Underwriters and the Trustee will not have any liability for (i) records maintained by CDS relating to beneficial interest in the Notes or the book-entry accounts maintained by CDS, (ii) maintaining, supervising or reviewing any records relating to any such beneficial ownership interest, or (iii) any advice or representation made or given by CDS and made or given herein with respect to the rules and regulations of CDS or any action to be taken by CDS or at the direction of the participants.



The Indenture will require that payments in respect of the notes represented by the Global Note (including principal, premium, if any, and interest, if any) be effected by wire transfer of immediately available funds to the accounts specified by CDS. With respect to Certificated Securities, the Corporation will make all payments of principal, premium, if any, and interest, if any, by wire transfer of immediately available funds to the accounts specified by the Holders thereof or, if no such account is specified, by mailing a cheque to each such Holder's registered address. The Corporation expects that secondary trading in any Certificated Securities will also be settled in immediately available funds.

As long as CDS or its nominee is the registered holder of the Global Note, CDS or its nominee, as the case may be, will be considered to be the sole owner of the Global Note for the purposes of receiving payments of interest on and principal of the Global Note and premium, if any. The Corporation expects that CDS or its nominee, upon receipt of any payment of principal, interest, or premium, if any, in respect of the Global Note, will credit participants' accounts, on the date principal or interest is payable, with payments in amounts proportionate to their respective interests in the principal amount of the Global Note as shown on the records of CDS or its nominee at the close of business on the Regular Record Date, with respect to the payment of interest, and at maturity, with respect to the payment of principal. The Corporation also expects that payments of principal and interest by participants to the owners of beneficial interests in the Global Note held through such participants will be governed by standing instructions and customary practices, and will be the responsibility of such participants. The responsibility and liability of the Corporation in respect of notes represented by the Global Note is limited to making payment of any principal and interest due on such Global Note to the Trustee.

Transfers of beneficial ownership in notes represented by the Global Note will be effected through the records maintained by CDS or its nominee for such Global Note, with respect to interests of participants, and on the records of participants with respect to interests of persons other than participants. Beneficial owners who are not participants in the depository service of CDS, but who desire to purchase, sell or otherwise transfer ownership of or other interest in the Global Note, may do so only through participants in the depository service of CDS.

The ability of a beneficial owner of an interest in a note represented by the Global Note to pledge the note or otherwise take action with respect to such owner's interest in a note represented by the Global Note (other than through a participant) may be limited due to the lack of a physical certificate.

#### **DTC, Euroclear and Clearstream, Luxembourg**

Noteholders may hold their notes through the accounts maintained by DTC, Euroclear or Clearstream, Luxembourg in CDS only if they are participants of those systems, or indirectly through organizations which are participants of those systems.

DTC, Euroclear and Clearstream, Luxembourg will hold book-entry positions on behalf of their participants on the books of CDS. All securities in DTC, Euroclear or Clearstream, Luxembourg are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Transfers of notes by persons holding through Euroclear or Clearstream, Luxembourg participants will be effected through CDS, in accordance with CDS rules, on behalf of the relevant European international clearing system by its depositaries; however, such transactions will require delivery of transfer instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transfer meets its requirements, deliver instructions to its depositaries to take action to effect transfer of the notes on its behalf by delivering notes through CDS and receiving payment in accordance with its normal procedures. Payments with respect to the notes held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of Euroclear participants or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures, to the extent received by its depositaries.

Although the Corporation will make all payments of principal and interest on the notes in Canadian dollars, holders of notes held through DTC will receive such payments in U.S. dollars, except as set forth below. Canadian dollar payments received by CDS will be exchanged into U.S. dollars and paid directly to DTC in accordance with procedures established from time to time by CDS and DTC. All costs of conversion will be borne by holders of notes held through DTC who receive payments in U.S. dollars. Holders of notes held through DTC may elect, through procedures established from time to time by DTC and its participants, to receive Canadian dollar payments, in which case such Canadian dollar amounts will be transferred directly to Canadian dollar accounts designated by such holders to DTC.

Any such procedures once established may be changed or discontinued by CDS, DTC, Euroclear or Clearstream, Luxembourg, as the case may be, at any time.

#### **Foreign Exchange Risk**

The notes are denominated in Canadian dollars and all payments in respect of the notes are to be made in Canadian dollars. An investment in the notes by a purchaser not resident in Canada that conducts its business or activities in a currency (the home currency) other than Canadian dollars entails significant risks not associated with a similar investment in a security denominated in the home currency. Such risks include the possibility of significant changes in rates of exchange between the home currency and the Canadian dollar and the possibility of the imposition or modification of foreign exchange controls with respect to the home currency or Canadian dollar. Such risks generally depend on events over which the Corporation has no control, such as economic and political events and the supply of and demand for the Canadian dollar and the home currency. In recent years, rates of exchange for certain currencies have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in such rate that may occur during the term of the notes. Depreciation of the Canadian dollar against the relevant home currency could result in a decrease in the effective yield on the notes below their coupon rate and, in certain circumstances could result in a loss to the investor on a home currency basis.

This description of foreign currency risks does not describe all of the risks of an investment in securities denominated in a currency other than the home currency. Prospective investors should consult their own financial and legal advisers as to the risks involved in an investment in the notes.

**EARNINGS COVERAGE**

The following consolidated financial ratios are calculated for the twelve month period ended August 31, 2003 and give effect to the issuance of all of our long-term debt and repayment or redemption thereof subsequent to that date including debt issued pursuant to this offering. The ratios are based on our annual audited financial statements incorporated by reference herein.

	<b>Twelve months ended August 31, 2003</b>
	<b>(in thousands of dollars)</b>
Earnings(1)	243,720
Interest(2)(4)	229,705
Ratio of earnings to interest(3)(4)	1.06

- (1) Earnings are before deduction of interest on long-term debt, income taxes and equity in losses of investees.
- (2) The annual interest requirements on long-term debt outstanding at August 31, 2003, have been adjusted to reflect issuance, repayment or redemption of long-term debt since August 31, 2003 and to give effect to the issuance of the notes, and the application of the net proceeds thereof as described under "Use of Proceeds". Interest excludes return entitlements on the COPrS and the Zero Coupon Loan included in shareholders' equity.
- (3) The Corporation's interest requirements, after giving effect to the issue of the notes and as adjusted to reflect the issuance, repayment and redemption of long-term debt since August 31, 2003, amounted to \$229.7 million for the 12 months ended August 31, 2003. The Corporation's income before interest and tax for the 12 months then ended was \$243.7 million, which is 1.06 times the Corporation's interest requirements for this period.
- (4) If the COPrS and the Zero Coupon Loan were to be treated as debt and the return entitlement treated as interest, the interest requirement for the twelve months ended August 31, 2003 would change to \$292.2 million and the earnings deficiency to attain a one-to-one ratio for the same period would be \$48.5 million.

**CREDIT RATINGS**

The following table discloses the ratings of the notes by the rating agencies indicated:

**Rating Agency Ratings**

<b>Rating Agency</b>	<b>Rating</b>
Standard & Poor's Rating Services ( S&P )	BB+
Dominion Bond Rating Service Limited ( DBRS )	BB (high)
Moody's Investors Service, Inc. ( Moody's )	Ba2

S&P's credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BB by S&P is the fifth highest of eleven categories. According to the S&P rating system, debt securities rated BB have significant speculative characteristics but are less vulnerable in the near term than other lower rated obligations. However, an obligor rated BB faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within a particular rating category.

DBRS' credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BB by DBRS is the fifth highest of



ten categories and is assigned to debt securities considered to be speculative. The assignment of a (high) or (low) modifier within each rating category indicates relative standing within such category. The high and low grades are not used for the AAA category.

Moody's credit ratings are on a long-term debt rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. A rating of Ba is the fifth highest of nine categories and denotes obligations judged to have speculative elements and which are subject to substantial credit risk. The addition of a 1, 2 or 3 modifier after a rating indicates the relative standing within a particular rating category. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

S&P, DBRS and Moody's are Approved Rating Organizations as such term is defined in National Instrument 44-101 of the Canadian Securities Administrators which governs the short form prospectus distribution system.

Credit ratings are intended to provide investors with an independent measure of the quality of an issue of securities. The foregoing ratings should not be construed as a recommendation to buy, sell or hold the notes, in as much as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant, and if any such rating is so revised or withdrawn, we are under no obligation to update this prospectus supplement.

### CERTAIN INCOME TAX INFORMATION

**The following summary is of a general nature only and is not intended to be, and should not be construed to be, legal or tax advice to any prospective investor and no representation with respect to the tax consequences to any particular investor is made. Accordingly, prospective investors should consult with their own tax advisors for advice with respect to the income tax consequences to them of purchasing, holding or disposing of the notes having regard to their own particular circumstances, including any consequences of an investment in the notes arising under state, provincial or local tax laws in Canada or the United States or tax laws of jurisdictions outside Canada or the United States.**

#### **Certain Canadian Federal Income Tax Considerations**

In the opinion of Fraser Milner Casgrain LLP, counsel for Shaw, and McCarthy Tétrault LLP, counsel for the Underwriters, the following are as of the date hereof fair and adequate summaries of the material Canadian federal income tax consequences generally applicable to a) a holder (a *Holder*) who acquires notes pursuant to this offering and who, for the purposes of the *Income Tax Act* (Canada) (the *Tax Act*) is or is deemed to be a resident of Canada, deals with Shaw at arm's length and holds the notes as capital property and b) a holder (a *Non-Resident Holder*) who acquires notes pursuant to this offering and who, for the purposes of the *Tax Act*, deals with Shaw at arm's length, and is neither a resident of Canada nor deemed to be a resident of Canada. These summaries are based upon the current provisions of the *Tax Act* and the Regulations thereunder in force as of the date hereof, all specific proposals to amend the *Tax Act* and Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof (the *Proposed Amendments*), and counsel's understanding of the current administrative and assessing policies of the Canada Customs and Revenue Agency (the *CCRA*). These summaries are not exhaustive of all possible Canadian income tax consequences and, except for the Proposed Amendments, do not take into account or anticipate any changes in the law or the administrative or assessing policies of the CCRA whether by legislative, governmental or judicial action, nor does it take into account provincial or foreign tax considerations which may differ significantly from those discussed herein. There can be no assurance that the Proposed Amendments will be enacted in the current form or at all.

## Residents of Canada

A Holder will generally be considered to hold the notes as capital property unless the Holder is a trader or dealer in securities, holds the notes in the course of carrying on a business or has acquired the notes as an adventure in the nature of trade. This summary does not apply to a Holder that is a financial institution within the meaning of section 142.2 of the *Tax Act* or to a Holder an interest in which is a tax shelter investment, within the meaning of section 143.2 of the *Tax Act*.

### *Interest on Notes*

A Holder of a note that is a corporation, partnership, unit trust or any trust of which any corporation or partnership is a beneficiary, will be required to include in computing income for a taxation year all interest (or amounts deemed to be interest) that accrues to it on the note to the end of that taxation year or that becomes receivable or is received by it before the end of the taxation year, except to the extent that the interest was included in computing its income for a preceding taxation year.

Any other Holder, including an individual, will be required to include in computing income for a taxation year, all interest (or amounts deemed to be interest) on a note that is received or receivable by the Holder in that taxation year (depending on the method regularly followed by the Holder in computing income).

### *Disposition*

On a disposition or deemed disposition of a note (including the redemption of a note by Shaw), a Holder will realize a capital gain, or sustain a capital loss, to the extent that the proceeds of disposition exceed, or are exceeded by, the adjusted cost base to the Holder of the note and any reasonable expenses incurred for the purpose of making a disposition.

On a disposition or deemed disposition of a note, a Holder will generally be required to include in income for the taxation year in which the disposition occurs, any premium deemed to be interest and the amount of accrued interest from the date of the last interest payment to the extent that such amount has not otherwise been included in income for the year in which the disposition or deemed disposition occurs or a previous taxation year.

A Holder who realizes a capital gain or sustains a capital loss on the disposition of a note will be required to include in computing income for the taxation year of the disposition, one-half of the capital gain or will generally be entitled to deduct one-half of the capital loss against taxable capital gains realized by the Holder in the taxation year. Allowable capital losses not deducted in the taxation year in which they are realized may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following years against taxable capital gains realized in such years, to the extent and under the circumstances specified in the *Tax Act*.

### *Refundable Tax*

A Holder that is a Canadian-controlled private corporation (as defined in the *Tax Act*) may be liable for a refundable tax of 6 2/3% on investment income, including interest and capital gains earned or realized in respect of the notes.

## Non-Residents of Canada

The payment by Shaw of interest, premium, if any, or principal on the notes to a Non-Resident Holder will be exempt from Canadian non-resident withholding tax under the *Tax Act*.

No other taxes on income (including capital gains) will be payable under the *Tax Act* in respect of the holding, redemption or disposition of the notes by Non-Resident Holders who do not use or hold and are not deemed to use or hold the notes in carrying on business in Canada for the purposes of the *Tax Act*, except that in certain circumstances Non-Resident Holders who are carrying on an insurance business in Canada and elsewhere may be subject to such taxes.

### **Certain U.S. Federal Income Tax Considerations**

The following summary describes certain U.S. federal income tax consequences that may be relevant to the purchase, ownership and disposition of notes by U.S. Holders (as defined below) who purchase notes in this offering at the issue price set forth on the cover of this prospectus supplement and who hold the notes as capital assets ( U.S. Holders ) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the Code ). This discussion does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to particular holders in light of their particular circumstances nor does it deal with persons that are subject to special tax rules, such as dealers in securities or currencies, financial institutions, insurance companies, tax-exempt organizations, partnerships, real estate investment trusts, regulated investment companies, traders in securities or commodities that elect mark-to-market treatment, persons that are or, will hold Notes through, a partnership or other pass-through entity, persons holding the notes as a part of a straddle, hedge, or conversion transaction or a synthetic security or other integrated transaction, U.S. Holders whose functional currency is not the U.S. dollar, and holders who are not U.S. Holders. In addition, this summary does not address the tax consequences applicable to subsequent purchasers of the notes. Furthermore, the discussion below is based upon the provisions of the Code and United States Treasury regulations, rulings and judicial decisions under the Code as of the date of this prospectus supplement, and those authorities may be repealed, revoked or modified (possibly with retroactive effect) so as to result in federal income tax consequences different from those discussed below. There can be no assurance that the Internal Revenue Service ( IRS ) will take a similar view as to any of the tax consequences described in this summary.

**Persons considering the purchase, ownership or disposition of notes should consult their own tax advisors concerning the U.S. federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any state or of any local or foreign taxing jurisdiction.**

As used in this section, the term U.S. Holder means a holder of notes that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other entity created or organized in or under the laws of the United States or any political subdivision of the United States, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust, if a United States court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or if the trust has validly made an election to be treated as a U.S. person under applicable United States Treasury regulations.

#### ***Payments of Interest***

The U.S. dollar value of interest paid on a note (including any Canadian taxes withheld therefrom and including the receipt of proceeds from a sale, exchange or other disposition attributable to accrued but unpaid interest) will generally be includible by a U.S. Holder as ordinary income at the time the interest is paid or accrued, based on the U.S. Holder's method of accounting for U.S. federal income tax purposes. In addition to interest on the notes, a U.S. Holder will be required to include as income any additional amounts Shaw may pay to cover any Canadian taxes withheld from interest payments. As a result, a U.S. Holder may be required to include more interest in gross income than the amount of cash it actually receives.

A U.S. Holder may be entitled to deduct or credit the amount of any foreign withholding tax, subject to applicable limitations in the Code. For U.S. foreign tax credit purposes, interest income described above generally will constitute foreign source income and be considered passive income or financial services income. The rules governing the foreign tax credit are complex and U.S. Holders are urged to consult their tax advisors regarding the availability of the credit under their particular circumstances.

Generally, in the case of a cash method taxpayer, the U.S. dollar value of the foreign currency interest payment is determined based on the spot rate on the date of receipt. Generally, in the case of an accrual method taxpayer, the average U.S. dollar value of the accrued amounts is determined based on the average exchange rate during the interest accrual period, unless an election is made under the Treasury regulations to use a different exchange rate. Generally, an accrual method taxpayer will recognize exchange income or loss, which will constitute ordinary income or loss, with respect to accrued interest income on the date the interest

payment is actually received. A U.S. holder may have exchange gain or loss when it disposes of any Canadian dollars received.

***Original Issue Discount***

It is not expected that the notes will be issued with original issue discount. If, however, the notes are issued with more than a de minimis amount of original issue discount, then such original issue discount would be treated for U.S. federal income tax purposes as interest accruing over the notes' term, and would be taxable as interest income as described above under "Payments of Interest". A U.S. Holder's adjusted tax basis in a Security would be increased by the amount of any original issue discount included in its gross income. In compliance with United States Treasury regulations, if we determine that the notes have original issue discount, we will provide certain information to the IRS and/or U.S. Holders that is relevant to determining the amount of original issue discount in each accrual period.

***Purchase, Sale, Exchange or Retirement of the Notes***

A U.S. holder who converts U.S. dollars to Canadian dollars and immediately uses such Canadian dollars to purchase a note will ordinarily not recognize exchange gain or loss in connection with such conversion and purchase. A U.S. Holder who purchases a note with previously acquired Canadian dollars will recognize ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in Canadian dollars and the U.S. dollar fair market value of the note on the date of purchase. Such exchange gain or loss will generally constitute U.S. source gain or loss.

Gain or loss will be recognized upon the sale, exchange or retirement of a note in an amount equal to the U.S. dollar value of the amount received by a U.S. Holder upon such disposition (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as described above under "Payments of Interest") less the U.S. dollar tax basis in the note. A U.S. holder's tax basis in a note will be the U.S. dollar value of the amount paid for the note based on the exchange rate on the date of purchase of the note. Any gain or loss recognized in excess of the exchange gain or loss will be treated as capital gain or loss. Gain or loss that is recognized will be treated as ordinary income or loss to the extent it is exchange gain or loss. Any gain or loss realized by such a holder in excess of the exchange gain or loss will generally be capital gain or loss. Such gain or loss generally will constitute a long term capital gain or loss if the Security was held by such U.S. Holder for more than one year and otherwise will be short term capital gain or loss. The deductibility of capital losses is subject to limitations. In the case of a U.S. Holder who is a United States resident (as defined in Section 865 of the Code), any such gain or loss generally will be treated as U.S. source.

***Backup Withholding and Information Reporting***

In general, information reporting requirements will apply to payments of principal and interest on a note and payments of the proceeds of sale made within the United States (and, in certain cases, outside the United States) to U.S. Holders other than certain exempt recipients (such as corporations). In addition, a backup withholding tax may apply to such payments if such a U.S. Holder fails to provide an accurate taxpayer identification number or otherwise fails to comply with applicable requirements of the backup withholding rules. Any amounts withheld under those rules will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability or refundable to the extent it exceeds such liability. A U.S. Holder who does not provide a correct taxpayer identification number may also be subject to penalties imposed by the IRS.



**PLAN OF DISTRIBUTION**

We intend to offer the notes through the Underwriters. RBC Dominion Securities Inc. and TD Securities Inc. are acting as the representatives of the Underwriters named below. Subject to the terms and conditions contained in an underwriting agreement dated November 13, 2003 ( Underwriting Agreement ) between us and the Underwriters, we have agreed to sell to the Underwriters and the Underwriters severally have agreed to purchase from us, the principal amount of the notes listed opposite their names below.

<b>Underwriters</b>	<b>Principal Amount</b>
RBC Dominion Securities Inc.,	\$ 96,250,000
TD Securities Inc.	96,250,000
BMO Nesbitt Burns Inc.	31,500,000
CIBC World Markets Inc.	31,500,000
Merrill Lynch Canada Inc.	31,500,000
National Bank Financial Inc.	31,500,000
Scotia Capital Inc.	31,500,000
	<hr/>
Total	\$350,000,000
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We have agreed to pay the Underwriters a commission of 1.5% per note sold by closing to institutions and 2.5% per note for all other sales.

The representatives have advised us that the Underwriters propose initially to offer the notes to the public at the public offering price set forth on the cover of this prospectus supplement and to certain dealers at that price less a concession not in excess of 1.50% per note. After the initial public offering, the public offering price and concession may be changed by the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion upon the occurrence of certain stated events. We are not obligated to sell less than all of the notes.

This offering is being made concurrently in all provinces of Canada and in the United States pursuant to the multijurisdictional disclosure system implemented by securities regulatory authorities in Canada and the United States. The notes will be offered in Canada and the United States through the Underwriters, either directly or through their respective Canadian or U.S. broker-dealer affiliates or agents.

We have agreed to indemnify the Underwriters and their directors, officers and employees against certain liabilities, including liabilities under the United States Securities Act of 1933, as amended, and applicable Canadian securities legislation, and to contribute to payments that the Underwriters and we may be required to make in respect thereof.

There is currently no public market for the notes. We do not intend to apply for listing of the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system. We have been advised by the Underwriters that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

In connection with the offering, the Underwriters are permitted to engage in transactions that stabilize the market price of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the notes. If the Underwriters create a short position in the notes in connection with the offering, i.e., if they sell more notes than are on the cover page of this prospectus supplement, the Underwriters may reduce that short position by purchasing notes in the open market. Purchases of a security to stabilize the price or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither we nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the Underwriters makes any representation that the Underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

All of the Underwriters are affiliates of banks or other lenders (the Banks ) to which we are presently indebted. We were indebted to such Banks for approximately \$602 million as at November 13, 2003 under various credit facilities, which indebtedness represented approximately 21% of our total indebtedness as of that date. We are in compliance with the terms of each such credit facility. None of the Banks was involved in the decision to offer the notes and none were involved in the determination of the terms of the distribution of the notes. The net proceeds of the sale of the notes will be used to repay indebtedness to certain of such Banks. We may be considered to be a connected issuer or connected party of the Banks within the meaning of applicable securities legislation. See Use of Proceeds and Consolidated Capitalization .

Affiliates of RBC Dominion Securities Inc., TD Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and Scotia Capital Inc. are lenders to the Corporation and net proceeds of the sale of the notes will be used to reduce our indebtedness to such lenders. Because more than ten percent of the net proceeds of the offering may be paid to members or affiliates of members of the National Association of Securities Dealers, Inc. participating in the offering, the offering will be conducted in accordance with NASD Conduct Rule 2710(c)(8). This rule requires that the yield of a debt security be no lower than the yield recommended by a qualified independent underwriter which has participated in the preparation of the registration statement and performed its usual standard of due diligence with respect to that registration statement. Merrill Lynch, Pierce, Fenner & Smith Incorporated has agreed to act as qualified independent underwriter for the offering. The yield on the notes will be no lower than that recommended by Merrill Lynch, Pierce, Fenner & Smith Incorporated.

In the ordinary course of their respective businesses, the Underwriters and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions.

#### **DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT**

In addition to the documents specified in the accompanying prospectus under Documents Filed as Part of the Registration Statement , the following documents will be filed with the SEC as part of the Registration Statement to which this prospectus supplement relates: the form of underwriting agreement between us and the Underwriters and the form of Supplemental Indenture.

#### **LEGAL MATTERS**

Certain legal matters in connection with the issue of the notes will be passed upon for us by Fraser Milner Casgrain LLP, Calgary, Alberta, with respect to matters of Canadian Law and by Sherman & Howard L.L.C., Denver, Colorado, with respect to matters of United States law and certain legal matters in connection with the issue of the notes will be passed upon for the Underwriters by McCarthy Tétrault LLP, Toronto, Ontario, with respect to matters of Canadian law and by Skadden, Arps, Slate, Meagher & Flom LLP, Toronto, Ontario with respect to matters of United States law.

As of the date of this prospectus supplement, the partners and associates of each of Fraser Milner Casgrain LLP and McCarthy Tétrault LLP as a group beneficially own, directly or indirectly, less than 1% of our outstanding securities.

**AUDITORS CONSENT**

We have read the Prospectus Supplement of Shaw Communications Inc. ( the company ) dated November 13, 2003 relating to the offer and issue of 7.50% Senior Notes of the company and the related short form base shelf prospectus of the company dated November 23, 2001, as amended by a prospectus amendment dated November 6, 2003 (collectively referred to as the Prospectus ). We have complied with Canadian generally accepted standards for an auditors involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned Prospectus of our report to the shareholders of the company on the consolidated balance sheets of the company as at August 31, 2003 and 2002 and the consolidated statements of loss and retained earnings (deficit) and cash flows for each of the years in the three year period ended August 31, 2003. Our report is dated October 10, 2003.

Calgary, Canada  
November 13, 2003

(Signed) ERNST & YOUNG LLP  
Chartered Accountants

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**Amendment No. 1 dated November 6, 2003 to Short Form Base Shelf Prospectus dated November 23, 2001**

*This Amendment, together with the Short Form Base Shelf Prospectus dated November 23, 2001, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

**Shaw Communications Inc.**

**\$900,000,000**

**Debt Securities**

**Class B Non-Voting Participating Shares\*\***

**Class 1 Preferred Shares**

**Class 2 Preferred Shares**

The short form base shelf prospectus (the Prospectus ) dated November 23, 2001 of Shaw Communications Inc. is amended by providing that the maximum aggregate offering amount of debt securities that may be offered and issued from time to time under the Prospectus is increased from \$800,000,000 (or the equivalent in one or more foreign currencies, including United States dollars) to \$900,000,000 (or the equivalent in one or more foreign currencies, including United States dollars) and, in particular, deleting the references to \$800,000,000 contained on the face page of the Prospectus and under the heading About this Prospectus and substituting therefor \$900,000,000 . The first sentence of the first paragraph of the text on the face page of the Prospectus, as so amended, reads as follows:

Shaw Communications Inc. ( Shaw or the Corporation ) may offer and issue from time to time, debt securities (the Debt Securities ) and Class B Non-Voting Participating Shares, Class 1 Preferred Shares and Class 2 Preferred Shares (collectively, Equity Securities ) (and, together with the Debt Securities, the Securities ) of up to \$900,000,000 aggregate initial offering price of Securities (or the equivalent thereof in one or more foreign currencies or composite currencies, including United States dollars) during the 25 month period that this short form shelf prospectus, including any amendments thereto, is valid.

The third sentence of the second paragraph under the heading About this Prospectus , as so amended, reads as follows:

We may, from time to time, sell any combination of the Securities described in this prospectus in one or more offerings up to an aggregate principal amount of \$900,000,000.

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\*\*The class B Non-Voting Participating Shares have not been and will not be registered and will not be offered for sale or sold in the United States.

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*This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offense to claim otherwise.*

*This short form prospectus has been filed under legislation in each of the provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.*

## SHORT FORM BASE SHELF PROSPECTUS

New Issue

November 23, 2001

# Shaw Communications Inc.

**\$800,000,000**

## Debt Securities

### Class B Non-Voting Participating Shares<sup>\*\*</sup>

#### Class 1 Preferred Shares

#### Class 2 Preferred Shares

Shaw Communications Inc. ( Shaw or the Corporation ) may offer and issue from time to time, debt securities (the Debt Securities ) and Class B Non-Voting Participating Shares, Class 1 Preferred Shares and Class 2 Preferred Shares (collectively, Equity Securities ) (and, together with the Debt Securities, the Securities ) of up to \$800,000,000 aggregate initial offering price of Securities (or the equivalent thereof in one or more foreign currencies or composite currencies, including United States dollars) during the 25 month period that this short form shelf prospectus, including any amendments thereto, is valid. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying shelf prospectus supplement (a Prospectus Supplement ).

The specific terms of the Securities with respect to a particular offering will be set out in the applicable Prospectus Supplement and may include, where applicable (i) in the case of Debt Securities, the specific designation, aggregate principal amount, the currency or the currency unit for which the Debt Securities may be purchased, the maturity, interest provisions, authorized denominations, offering price, covenants, events of default, any terms for redemption or retraction, any exchange or conversion terms, whether the debt is senior or subordinated and any other terms specific to the Debt Securities being offered; and (ii) in the case of Equity Securities, the designation of the particular class and series, the number of shares offered, the issue price, dividend rate, if any, and any other terms specific to the Equity Securities being offered. Where required by statute, regulation or policy, and where Securities are offered in currencies other than Canadian dollars, appropriate disclosure of foreign exchange rates applicable to such Securities will be included in the Prospectus Supplement describing such Securities.

For the purpose of calculating the Canadian dollar equivalent of the aggregate principal amount of Securities issued under this short form prospectus from time to time, Debt Securities denominated in, and Equity Securities denominated or issued in, a currency (the Securities Currency ) other than Canadian dollars will be translated into Canadian dollars at the date of issue of such Securities using the spot wholesale transactions buying rate of the Bank of Canada for the purchase of Canadian dollars with the Securities Currency in effect as of noon (Toronto time) on the date of issue of such Securities.

This short form shelf prospectus constitutes a public offering of these Securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such Securities. The Corporation may offer and sell Securities to or through underwriters or dealers and also may offer and sell certain Securities directly to other purchasers or through agents. A Prospectus Supplement relating to each issue of Securities offered thereby will set forth the names of any underwriters, dealers or agents involved in the sale of such issue and the compensation of any such underwriters, dealers or agents. The Class B Non-Voting Participating Shares of Shaw are currently listed on The Toronto Stock Exchange under the symbol SJR.B and the New York Stock Exchange Inc. under the symbol SJR . Unless otherwise specified in

the applicable Prospectus Supplement, Debt Securities will not be listed on any securities exchange. The offering is subject to approval of certain legal matters on behalf of the Corporation by Fraser Milner Casgrain LLP, Calgary, Alberta and Sherman & Howard LLC, Denver, Colorado. **Our earnings coverage ratio for the actual twelve months ended August 31, 2001 is less than one-to-one. See Earnings Coverage.**

**NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.**

Shaw is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this prospectus in accordance with Canadian disclosure requirements. Prospective investors in the United States should be aware that such requirements are different from those of the United States. Shaw has prepared the financial statements included or incorporated herein by reference in accordance with Canadian generally accepted accounting principles, and they are subject to Canadian auditing and auditor independence standards. Thus, they may not be comparable to the financial statements of United States companies.

You should be aware that the purchase of these securities may have tax consequences both in the United States and Canada. This prospectus or any applicable Prospectus Supplement may not describe these tax consequences fully for investors who are resident in, or citizens of, the United States.

Enforcement of civil liabilities under United States federal securities laws may be affected adversely by the fact that Shaw is incorporated in Alberta, Canada, most of its officers and directors and most of the experts named in this prospectus are residents of Canada, and all or a substantial portion of the assets of Shaw and said persons may be located outside the United States.

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\*\*The Class B Non-Voting Participating Shares have not been registered and will not be offered for sale or sold in the United States.

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## ABOUT THIS PROSPECTUS

In this prospectus, unless otherwise specified or the context otherwise requires, references to Shaw, the Corporation, us, we or our mean Shaw Communications Inc. and its consolidated subsidiaries. Unless otherwise specified, all dollar amounts contained herein are expressed in Canadian dollars, and references to dollars, Cdn\$ or \$ are to Canadian dollars and all references to US\$ are to United States dollars. All financial information included and incorporated by reference in this prospectus is determined using generally accepted accounting principles which are in effect from time to time in Canada (Canadian GAAP). U.S. GAAP means generally accepted accounting principles which are in effect from time to time in the United States.

This prospectus is part of a registration statement on Form F-9 relating to our Debt Securities, Class 1 Preferred Shares and Class 2 Preferred Shares that we filed with the United States Securities and Exchange Commission (SEC). We have not registered with the SEC and will not make offers or sales of our Class B Non-Voting Participating Shares in the United States pursuant to this prospectus. We may, from time to time, sell any combination of the Securities described in this prospectus in one or more offerings up to an aggregate principal amount of \$800,000,000. This prospectus provides you with a general description of the Securities that we may offer. Each time we sell Securities under the registration statement, we will provide a prospectus supplement (Prospectus Supplement) that will contain specific information about the terms of that offering of Securities. The Prospectus Supplement may also add, update or change information contained in this prospectus. Before you invest, you should read both this prospectus and any applicable Prospectus Supplement together with additional information described under the heading Where You Can Find More Information. This prospectus does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. Reference is made to the registration statement and the exhibits thereto for further information with respect to Shaw and the Securities.

Shaw prepares its consolidated financial statements in accordance with Canadian GAAP, which may differ from U.S. GAAP. Therefore, the consolidated financial statements of Shaw incorporated by reference in this prospectus, in any applicable Prospectus Supplement and in the documents incorporated by reference in this prospectus or in any applicable Prospectus Supplement may not be comparable to financial statements prepared in accordance with U.S. GAAP.

## WHERE YOU CAN FIND MORE INFORMATION

**Information has been incorporated by reference in this short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Shaw Communications Inc., Suite 900, 630 3rd Avenue S.W., Calgary, Alberta, T2P 4L4 (telephone (403) 750-4500) or by accessing the Corporation's disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which may be accessed at [www.sedar.com](http://www.sedar.com). For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of Shaw Communications Inc. at the above-mentioned address and telephone number.

In addition to its continuous disclosure obligations under the securities laws of the provinces of Canada, Shaw is subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance therewith files reports and other information with the SEC. Under the multijurisdictional disclosure system adopted by the United States, such reports and other information may be prepared in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. You may read any document we furnish to the SEC at the SEC's public reference rooms at Room 1024, 450 Fifth Street N.W., Washington, D.C. 20549 and 500 West Meridian Street, Suite 1400, Chicago, Illinois 60661. You may also obtain copies of the same documents from the



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public reference room of the SEC at 450 Fifth Street, N.W., Washington D.C. 20549 by paying a fee. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms.

Under the short form prospectus system adopted by the securities commissions and other regulatory authorities in each of the provinces of Canada and under the multijurisdictional disclosure system adopted by the United States and Canada, we are permitted to incorporate by reference the information we file with securities commissions in Canada, which means that we can disclose important information to you by referring you to those documents. Information that is incorporated by reference is an important part of this prospectus. We incorporate by reference the documents listed below, which were filed with the securities commission or other similar authority in each of the provinces of Canada and with the SEC:

- (a) our audited consolidated financial statements as at and for the years ended August 31, 2001 and 2000, together with the auditors report thereon;
- (b) the information contained under the heading "Management's Discussion and Analysis" contained on pages 5 to 23 of the 2001 Annual Report of Shaw to its shareholders;
- (c) our Proxy Information Circular and Management Solicitation dated October 31, 2001, excluding the information contained therein under the headings "Composition of the Compensation Committee", "Report on Executive Compensation" and "Performance Graph"; and
- (d) our Annual Information Form dated January 18, 2001, excluding the information incorporated therein under the heading "Management's Discussion and Analysis".

Any documents of the type referred to in the preceding paragraph, or similar material, including all Annual Information Forms, all information circulars, all financial statements, all material change reports (excluding confidential reports, if any), all updated earnings coverage ratio information, as well as all Prospectus Supplements disclosing additional or updated information, filed by us with securities commissions or similar authorities in the relevant provinces of Canada subsequent to the date of this prospectus and prior to 25 months from the date hereof shall be deemed to be incorporated by reference into this prospectus. We also incorporate by reference all future annual reports and any other information we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, if and to the extent expressly provided in such report, until we sell all of the Securities.

A Prospectus Supplement containing the specific variable terms of an offering of Securities will be delivered to purchasers of such Securities together with this prospectus and will be deemed to be incorporated by reference into this prospectus as of the date of such Prospectus Supplement and only for the purposes of the offering of the Securities covered by that Prospectus Supplement.

**Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such prior statement. Any statement or document so modified or superseded shall not, except to the extent so modified or superseded, be incorporated by reference and constitute a part of this prospectus.**

Upon a new Annual Information Form and related annual financial statements being filed with and, where required, accepted by, the applicable securities regulatory authorities during the currency of this prospectus, the previous Annual Information Form, annual financial statements and all interim financial statements, material change reports and management proxy circulars filed prior to the commencement of the then current fiscal year will be deemed no longer to be incorporated into this prospectus for purposes of future offers and sales of Securities under this prospectus.

**You should rely only on the information contained in or incorporated by reference in this prospectus or any applicable Prospectus Supplement and on the other information included in the registration statement of which this prospectus forms a part. We have not authorized anyone to provide you with different or additional information. We are not making an offer of these Securities in any jurisdiction where the offer is not permitted by law. You should not assume that the information contained in or incorporated by reference**

**in this prospectus or any applicable Prospectus Supplement is accurate as of any date other than the date on the front of the applicable Prospectus Supplement.**

### **FORWARD LOOKING STATEMENTS**

Certain statements included and incorporated by reference herein constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. When used, the words anticipate, believe, expect, plan, intend and similar expressions are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, references to future capital expenditures (including the amount and nature thereof), business strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of Shaw's business and operations, plans and references to the future success of Shaw. These forward-looking statements are based on certain assumptions and analyses made by Shaw in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the expectations and predictions of Shaw is subject to a number of risks and uncertainties, including, but not limited to, general economic, market or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by Shaw; increased competition in the markets in which Shaw operates and from the development of new markets for emerging technologies; changes in laws, regulations and decisions by regulators in Shaw's industries in both Canada and the United States; Shaw's status as a holding company with separate operating subsidiaries; changing conditions in the entertainment, information and communications industries; risks associated with the economic, political and regulatory policies of local governments and laws and policies of Canada and the United States; and other factors, many of which are beyond the control of Shaw. Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, our actual results may vary materially from those as described herein. Consequently, all of the forward-looking statements made in this short form prospectus and the documents incorporated by reference herein are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Shaw will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Shaw.

## BUSINESS OF THE CORPORATION

### Introduction

Shaw Communications Inc. ( Shaw or the Corporation ) is a diversified Canadian communications company whose core business is providing broadband cable television, Internet and satellite services. Shaw provides broadband cable television, Internet and satellite services to approximately 2.8 million customers. Shaw also holds a portfolio of investments in telecommunications, Internet infrastructure and interactive television companies. Shaw's total revenue for the years ended August 31, 2001 and 2000, was approximately \$1,572.0 million and \$971.0 million, respectively. As at August 31, 2001, Shaw had assets of approximately \$8.8 billion. Shaw's executive offices are at Suite 900, 630 3rd Avenue S.W., Calgary, Alberta, Canada, T2P 4L4; telephone number (403) 750-4500.

### Recent Developments

Following the end of Shaw's fiscal year on August 31, 2000, several significant developments have occurred in Shaw's business.

#### *Cable Television*

In the cable television business, Shaw has continued its strategy of clustering cable systems to achieve operating efficiencies through shared facilities and services and reduced operating redundancies. Shaw has grown to become the second largest cable television company in Canada, and is the largest cable television provider in western Canada. As at August 31, 2001, Shaw served approximately 2.1 million cable television customers in five provinces (British Columbia, Alberta, Saskatchewan, Manitoba and Ontario), representing approximately 25% of the Canadian cable television market.

Following the end of its fiscal year on August 31, 2000, Shaw completed two transactions that further consolidated Shaw's position as the dominant provider of cable television services in western Canada. Effective November 1, 2000, Shaw exchanged its cable operations in southern Ontario and New Brunswick, which collectively serve approximately 604,000 subscribers, for the cable operations of Rogers Communications Inc. in British Columbia (Vancouver and surrounding area), which serve approximately 626,000 subscribers. The exchange of cable systems represented a net gain of approximately 22,000 subscribers for Shaw at a cost of approximately \$104.2 million.

Pursuant to an offer to purchase dated December 21, 2000, Shaw acquired all of the common shares of Moffat Communications Limited ( Moffat ). Moffat provided cable, broadcast and specialty television and Internet services through subsidiaries in Canada and the United States. Moffat served approximately 312,000 cable and Internet subscribers in Alberta, Manitoba and northwestern Ontario and approximately 71,000 cable and Internet subscribers in Florida and Texas. In addition, Moffat owned WTN, a nationally distributed Canadian specialty television network, and CKY-TV, the CTV Television Network affiliate in Winnipeg, Manitoba; both of which were subsequently sold for aggregate proceeds to us of over \$240 million. Moffat was subsequently amalgamated with another Shaw subsidiary to form Videon CableSystems Inc.

As a result of the foregoing transactions, Shaw has approximately 75% of its Canadian subscribers clustered in five cities in western Canada (Vancouver and Victoria, British Columbia; Calgary and Edmonton, Alberta; and Winnipeg, Manitoba) and is the dominant provider of cable television services in western Canada. In furtherance of its focused business strategy, on August 31, 2001, Shaw sold its cable television systems in Nova Scotia for proceeds of approximately \$210 million.

#### *Satellite*

Shaw's involvement in the satellite industry is through its 99.7% interest in Canadian Satellite Communications Inc. ( Cancom ), a Canadian satellite services company. Cancom provides satellite-based solutions to businesses and owns 100% of Star Choice Communications Inc. ( Star Choice ), one of two active, licenced direct-to-home ( DTH ) operators in Canada. Star Choice provides digital DTH television

services to approximately 629,000 subscribers as at August 31, 2001. Shaw's interest in, and eventual control of, Cancom and Star Choice was acquired through several transactions between 1997 and 2001.

Following the end of its fiscal year on August 31, 2000, pursuant to an offer to purchase dated January 5, 2001, Shaw acquired an additional 2,771,524 common shares ( Cancom Shares ) of Cancom, representing 5.3% of the issued and outstanding Cancom Shares. As a result, Shaw increased its ownership from 94.3% to 99.6% of the issued and outstanding Cancom Shares. On March 30, 2001, Shaw mailed a notice of compulsory acquisition to the remaining shareholders of Cancom to mandatorily acquire the 0.4% of the outstanding Cancom Shares held by them. Subsequent to the 100% buyout, a third party exercised its warrants in Cancom resulting in a dilution of Shaw's ownership to 99.7%.

#### USE OF PROCEEDS

Unless otherwise indicated in an applicable Prospectus Supplement relating to Securities, we will use the net proceeds we receive from the sale of the Securities for debt repayment, general corporate purposes, and working capital requirements. The amount of net proceeds to be used for any such purpose will be set forth in the applicable Prospectus Supplement. We may, from time to time, issue debt instruments, incur additional indebtedness and issue Equity Securities other than through the issue of Securities pursuant to this prospectus.

#### EARNINGS COVERAGE

The following consolidated financial ratio is calculated for the twelve month period ended August 31, 2001 and gives effect to the issuance of all of our long-term debt and repayment or redemption thereof as of that date. This coverage ratio does not give effect to the issuance of Securities that may be issued pursuant to this prospectus and any Prospectus Supplement, since the aggregate principal amounts and the terms of such Securities are not presently known.

	<b>Twelve months ended August 31, 2001</b>
Interest(1)(4) (\$000s)	206,935
Earnings coverage on long-term debt(2) (\$000s)	(218,632)
Ratio of earnings to interest(3)(4)	n/a

#### Notes:

- (1) Interest excludes return entitlements on the COPrS, SHELS and the Zero Coupon Loan included in shareholders' equity.
- (2) Earnings are net income before the deduction of interest on long-term debt, income taxes and equity in losses of investees.
- (3) The actual dollar amount of coverage deficiency to attain a ratio of one-to-one for the actual twelve months ended August 31, 2001 was approximately \$426 million.
- (4) Under U.S. GAAP, the COPrS, SHELS and the Zero Coupon Loan would be treated as debt and the return entitlements treated as interest. On that basis, the interest requirement for the actual twelve months ended August 31, 2001 would change to \$277 million and the earnings deficiency to attain a one-to-one ratio would be \$496 million.

If we offer Debt Securities having a term to maturity in excess of one year or Equity Securities which are preferred shares under this prospectus and a Prospectus Supplement, the Prospectus Supplement will include earnings coverage ratios giving effect to the issuance of such securities.

## DESCRIPTION OF DEBT SECURITIES

The following description of the terms of Debt Securities sets forth certain general terms and provisions of Debt Securities in respect of which a Prospectus Supplement will be filed. The particular terms and provisions of Debt Securities offered by any Prospectus Supplement will be described in the Prospectus Supplement filed in respect of such Debt Securities.

Debt Securities may be issued under an indenture (the "Trust Indenture") to be entered into between the Corporation and Computershare Trust Company of Canada, as indenture trustee (the "Trustee"). A copy of the form of the Trust Indenture has been or will be filed with the SEC as an exhibit to the registration statement of which this prospectus is a part. Debt Securities may also be issued under any other indentures between Shaw and a trustee or trustees as will be described in a Prospectus Supplement for such Debt Securities. The following summary of certain provisions of the Trust Indenture does not purport to be complete and is qualified in its entirety by reference to the Trust Indenture. All capitalized terms are as defined in the Trust Indenture (unless otherwise defined herein). Prospective investors should rely on information in the applicable Prospectus Supplement if it is different from the following information.

### General

The Trust Indenture provides that Debt Securities may be issued thereunder from time to time in one or more series (a "Series"). Specific terms and conditions which apply to such Series will be set out in a supplement to the Trust Indenture. The Debt Securities will be direct, unconditional and, unless otherwise indicated in the relevant Prospectus Supplement, unsecured obligations of the Corporation. The Trust Indenture does not limit the aggregate principal amount of Debt Securities (which may include debentures, notes and other evidences of indebtedness) which may be issued thereunder, and Debt Securities may be denominated and payable in currencies other than Canadian or U.S. dollars. The Indenture also permits us to increase the principal amount of any Series of Debt Securities previously issued and to issue that increased principal amount. As of the date hereof, no Debt Securities are outstanding under the Trust Indenture.

The Prospectus Supplement relating to the particular Series of Debt Securities offered thereby will describe the terms of such Debt Securities, including, where applicable:

- (i) the specific designation, aggregate principal amount and denominations of such Debt Securities;
- (ii) the price at which such Debt Securities will be issued or whether such Debt Securities will be issued on a non-fixed price basis;
- (iii) the date or dates on which such Debt Securities will mature and the portion (if less than all of the principal amount) of such Debt Securities to be payable upon declaration of an acceleration of maturity;
- (iv) the currency or currencies in which such Debt Securities are being sold and in which the principal of (and premium, if any), and interest, if any, on, such Debt Securities will be payable, whether the holder of any such Debt Securities or the Corporation may elect the currency in which payments thereon are to be made and, if so, the manner of such election;
- (v) whether the Debt Securities of such Series are interest bearing and, in the case of interest bearing Debt Securities, the rate or rates (which may be fixed or variable) per annum at which such Debt Securities will bear interest, if any;
- (vi) the date from which interest on such Debt Securities, whether payable in cash, in kind, or in shares, will accrue, the date or dates on which such interest will be payable and the date on which payment of such interest will commence;
- (vii) the dates on which and the price or prices at which such Debt Securities will, pursuant to any required repayment provisions, or may, pursuant to any repurchase or redemption provisions, be repurchased, redeemed or repaid and the other terms and provisions of any such optional repurchase or redemption or required repayment;

- (viii) the manner of payment and the place of payment for such Debt Securities;
- (ix) any special provisions for the payment of additional interest with respect to such Debt Securities;
- (x) any additional covenants included for the benefit of holders of such Debt Securities;
- (xi) the general terms or provisions, if any, pursuant to which such Debt Securities are to be guaranteed or secured;
- (xii) any additional events of default provided with respect to such Debt Securities;
- (xiii) the purpose, if any, for which the net proceeds from the issue of such Debt Securities are to be used by the Corporation;
- (xiv) the terms, if any, pursuant to which such Debt Securities are subject to defeasance;
- (xv) whether a registrar, paying agent or other series agent will be appointed for such Debt Securities and, if so, the identity of, or the manner for determining the identity of, such registrar, paying agent or other series agent;
- (xvi) any exchange on which Debt Securities of a Series will be listed;
- (xvii) terms for any conversion or exchange into other securities;
- (xviii) the extent and manner, if any, to which payment on or in respect of such Debt Securities will be senior or will be subordinated to the prior payment of other liabilities and obligations of the Corporation;
- (xix) whether such Debt Securities will be issuable in registered form or bearer form or both, and, if issuable in bearer form, the restrictions as to the offer, sale and delivery of such Debt Securities in bearer form and as to exchanges between registered and bearer form;
- (xx) whether such Debt Securities will be issuable in the form of one or more Registered Global Debt Securities and, if so, the identity of the Depository for those Registered Global Debt Securities;
- (xxi) any index pursuant to which the amount of payments of principal of and any premium and interest on such Debt Securities will or may be determined;
- (xxii) any special tax implications of or any special tax provision or indemnities relating to Debt Securities of such Series; and
- (xxiii) any other terms of such Debt Securities.

Unless otherwise indicated in the applicable Prospectus Supplement, the Trust Indenture does not afford the Holders the right to tender Debt Securities to Shaw for repurchase, or provide for any increase in the rate or rates of interest per annum at which the Debt Securities will bear interest.

#### **Payment**

Unless otherwise specified in the applicable Prospectus Supplement, payment of principal of (and premium, if any) on Debt Securities will be made in the designated currency against surrender of such Debt Securities at the office of the Trustee in Calgary, Alberta. Unless otherwise indicated in the Prospectus Supplement related thereto, payment of any instalment of interest on Debt Securities will be made to the Person in whose name such Debt Security is registered immediately prior to the close of business on the record date for such interest by electronic funds transfer.

#### **Negative Pledge**

The Trust Indenture will include a covenant to the effect that, so long as any Debt Securities are outstanding, the Corporation will not, and will not permit any Subsidiary of the Corporation to, create, incur or assume any Lien, other than Permitted Liens, on or over any present or

future Cable Properties of the Corporation or of any of its Subsidiaries or on any shares in the capital of any Cable Subsidiary of the

Corporation, securing any Indebtedness for Borrowed Money of the Corporation or such Subsidiary, without also simultaneously or prior thereto securing, or causing such Subsidiary to secure, indebtedness under the Trust Indenture so that the Debt Securities are secured equally and rateably with or prior to such other Indebtedness for Borrowed Money for so long as such other Indebtedness for Borrowed Money remains secured.

#### **Consolidation, Amalgamation, Merger and Sale of Assets**

The Trust Indenture provides that the Corporation may not consolidate or amalgamate with or merge into any other Person, or convey, transfer, lease or dispose of its properties and assets substantially as an entirety to any other Person, unless the Person formed by such consolidation or amalgamation or into which the Corporation is merged or the Person which shall have acquired or leased all such properties or assets (1) shall be a corporation, partnership or trust organized and existing under the laws of Canada or any province or territory thereof or the United States, any state thereof or the District of Columbia, and shall expressly assume the Corporation's obligations for the due and punctual payment of the principal of and premium, if any, and interest on the Debt Securities and the performance and observance of every covenant and condition of the Trust Indenture on the part of the Corporation to be performed and (2) immediately after giving effect to such transaction, no Event of Default, or event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing.

If, as a result of any such transaction, any properties or assets of the Corporation or any Subsidiary of the Corporation become subject to a Lien, then, unless such Lien could be created, incurred or assumed pursuant to the Trust Indenture provisions described under the Negative Pledge covenant above without equally and rateably securing the Debt Securities, the Corporation, simultaneously with or prior to such transaction, will cause the Debt Securities to be secured equally and rateably with or prior to the indebtedness secured by such Lien for so long as such indebtedness is secured thereby.

#### **Payment of Additional Amounts**

All payments made by or on behalf of the Corporation under or with respect to the Debt Securities will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other government charge (including penalties, interest and other liabilities related thereto) imposed or levied by or on behalf of the Government of Canada or of any province or territory thereof or by any authority or agency therein or thereof having power to tax ( Canadian Taxes ) unless the Corporation is required to withhold or deduct Canadian Taxes by law or by the interpretation or administration thereof by the relevant government authority or agency. Unless otherwise specified in the applicable Prospectus Supplement, if the Corporation is so required to withhold or deduct any amount for or on account of Canadian Taxes from any payment made under or with respect to the Debt Securities, the Corporation will pay as additional interest such additional amounts ( Additional Amounts ) as may be necessary so that the net amount received by each holder of Debt Securities after such withholding or deduction (including with respect to Additional Amounts) will not be less than the amount the holder of Debt Securities would have received if such Canadian Taxes had not been withheld or deducted (a similar indemnity will also be provided to holders of Debt Securities that are exempt from withholding but are required to pay tax directly on amounts otherwise subject to withholding); provided, however, that no Additional Amounts will be payable with respect to a payment made to a holder of Debt Securities (an Excluded Holder ) in respect of the beneficial owner thereof (i) with which the Corporation does not deal at arm's length (for purposes of the *Income Tax Act* (Canada)) at the time of the making of such payment, (ii) which is subject to such Canadian Taxes by reason of its failure to comply with any certification, identification, information, documentation or other reporting requirement if compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or a reduction in the rate of deduction or withholding of, such Canadian Taxes or (iii) which is subject to such Canadian Taxes by reason of its carrying on business in or being connected in any way with Canada or any province or territory thereof otherwise than by the mere holding of Debt Securities or the receipt of payment thereunder. The Corporation will make such withholding or deduction and remit the full amount deducted or withheld to the relevant authority as and when required in



accordance with applicable law. The Corporation will pay all taxes, interest and other liabilities which arise by virtue of any failure of the Corporation to withhold, deduct and remit to the relevant authority on a timely basis the full amounts required in accordance with applicable law. At least 30 days prior to each date on which any payment under or with respect to Debt Securities is due and payable, if the Corporation to its knowledge will be obligated to pay Additional Amounts with respect to such payment, the Corporation will deliver to the Trustee a certificate of the Corporation stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to holders of Debt Securities on the payment date. The foregoing obligations shall survive any termination, defeasance or discharge of the Trust Indenture.

### **Tax Redemption**

Under the Trust Indenture, except as may be specified in a Prospectus Supplement, the Debt Securities will be subject to redemption in whole, but not in part, at the option of the Corporation, at any time, on not less than 15 nor more than 60 days prior written notice, at 100% of the principal amount, together with accrued interest thereon to the redemption date, if there is more than an insubstantial risk that the Corporation has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the Debt Securities, any Additional Amounts as a result of an amendment to or change in the laws (including any regulations promulgated thereunder) of Canada (or any political subdivision or taxing authority thereof or therein), or any amendment to or change in any official position regarding the application or interpretation of such laws or regulations, which change is announced or becomes effective on or after the date of this prospectus.

### **Events of Default**

The following are summaries of Events of Default under the Trust Indenture with respect to any Series of Debt Securities thereunder: (a) default in the payment of any interest (including Additional Amounts) on any Debt Security when it becomes due and payable, and continuance of such default for a period of 30 days; (b) default in the payment of the principal of (or premium, if any, on) any Debt Security at its Maturity; (c) default in the performance, or breach, of any covenant or warranty of the Corporation in the Trust Indenture in respect of the Debt Securities (other than a covenant or warranty a default in the performance of which or the breach of which is specifically dealt with elsewhere in the Trust Indenture), and continuance of such default or breach for a period of 60 days after written notice to the Corporation by the Trustee or to the Corporation and the Trustee by the Holders of at least 25% in aggregate principal amount of the Debt Securities of all such affected Series then Outstanding (considered as one class); (d) failure to pay when due, after the expiration of any applicable grace period, any portion of the principal of, or involuntary acceleration of the maturity of, Indebtedness for Borrowed Money of the Corporation or of any of its Cable Subsidiaries, in either case having an aggregate principal amount outstanding in excess of \$75 million; and (e) certain events of bankruptcy, insolvency or reorganization of the Corporation or any of its Cable Subsidiaries.

If an Event of Default occurs and is continuing with respect to the Debt Securities, then and in every such case the Trustee or the Holders of at least 25% in aggregate principal amount of the Debt Securities of all affected Series then Outstanding (considered as one class) may declare the entire principal amount of all Debt Securities and all interest thereon to be immediately due and payable. However, at any time after a declaration of acceleration with respect to any Debt Securities has been made, but before a judgment or decree for payment of the money due has been obtained, the Holders of a majority in aggregate principal amount of the Debt Securities of all affected Series then Outstanding (considered as one class) may, except in certain circumstances, by written notice to the Corporation and the Trustee rescind and annul such acceleration.

The Trust Indenture provides that, subject to the duty of the Trustee during an Event of Default to act with the required standard of care, the Trustee shall be under no obligation to exercise any of its rights and powers under the Trust Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee reasonable indemnity. Subject to such provisions for indemnification of the Trustee and certain other limitations set forth in the Trust Indenture, the Holders of a majority in aggregate principal

amount of the Debt Securities of all affected Series then Outstanding (considered as one class) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Debt Securities.

No Holder of a Debt Security will have any right to institute any proceeding with respect to the Trust Indenture, or for the appointment of a receiver, manager, receiver and manager or trustee, or for any other remedy thereunder, unless (a) such Holder has previously given to the Trustee written notice of a continuing Event of Default with respect to the Debt Securities, (b) the Holders of at least 25% in aggregate principal amount of the Debt Securities of all affected Series then Outstanding (considered as one class) have made a written request to the Trustee, and such Holder or Holders have offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, and (c) the Trustee has failed to institute such proceeding, and has not received from the Holders of a majority in aggregate principal amount of the Debt Securities of all affected Series then Outstanding (considered as one class) a direction inconsistent with such request, within 60 days after such notice, request and offer. However, such limitations do not apply to a suit instituted by the Holder of a Debt Security for the enforcement of payment of the principal of or any premium or interest (including Additional Amounts) on such Debt Security on or after the applicable due date specified in such Debt Security.

The Corporation will be required to furnish to the Trustee annually a statement by certain of its officers as to whether or not the Corporation, to the best of their knowledge, is in compliance with all conditions and covenants of the Trust Indenture and, if not, specifying all such known defaults.

### **Defeasance**

The Trust Indenture provides that, if the applicable Prospectus Supplement provides that a Series is defeasable at the option of the Corporation, the Corporation will be discharged from any and all obligations in respect of the Debt Securities of any Series then Outstanding (except with respect to the authentication, transfer, exchange or replacement of Debt Securities or the maintenance of a Place of Payment and certain other obligations set forth in the Trust Indenture) upon irrevocable deposit with the Trustee, in trust, of funds in the currency in which such Series of Debt Securities is payable and/or Government Obligations which will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent chartered accountants to pay the principal of and premium, if any, and each instalment of interest, on such Series of Outstanding Debt Securities ( Defeasance ). Such trust may only be established if, among other things, (a) the Corporation has delivered to the Trustee an Opinion of Counsel in Canada, or counsel in any other jurisdiction specified in the applicable Prospectus Supplement, (who may be independent counsel for the Corporation) or a ruling from the taxation authority specified in the applicable Prospectus Supplement to the effect that the Holders of the Debt Securities of that Series will not recognize income, gain or loss for Canadian federal, or any other jurisdiction specified in the applicable Prospectus Supplement, income tax purposes as a result of such Defeasance and will be subject to Canadian federal, or any other jurisdiction specified in the applicable Prospectus Supplement, income tax on the same amounts, in the same manner and at the same times as would have been the case had such Defeasance not occurred; (b) no Event of Default or event that, with the passing of time or the giving of notice, or both, shall constitute an Event of Default shall have occurred and be continuing; (c) the Corporation is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada); and (d) other customary conditions precedent are satisfied. The Corporation may exercise its Defeasance option notwithstanding its prior exercise of its Covenant Defeasance option described in the following paragraph if the Corporation meets the conditions described in the preceding sentence at the time the Corporation exercises the Defeasance option.

The Trust Indenture provides that, at the option of the Corporation, unless and until the Corporation has exercised its Defeasance option described in the preceding paragraph, the Corporation may omit to comply with the Negative Pledge covenant and certain other covenants and such omission shall not be deemed to be an Event of Default under the Trust Indenture with respect to that Series of Debt Securities upon irrevocable deposit with the Trustee, in trust, of funds in the currency in which such Series of Debt Securities is payable and/or Government Obligations which will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent chartered accountants to pay the principal of and premium, if any,

and each instalment of interest, on the Debt Securities of such Series ( Covenant Defeasance ). If the Corporation exercises its Covenant Defeasance option, the obligations under the Trust Indenture other than with respect to such covenants and the Events of Default other than with respect to such covenants shall remain in full force and effect. Such trust may only be established if, among other things, (a) the Corporation has delivered to the Trustee an Opinion of Counsel in Canada, or counsel in any other jurisdiction specified in the applicable Prospectus Supplement, or a ruling from the taxation authority specified in the applicable Prospectus Supplement to the effect that the Holders of the Debt Securities of that affected Series will not recognize income, gain or loss for Canadian federal, or any other jurisdiction specified in the applicable Prospectus Supplement, income tax purposes as a result of such Covenant Defeasance and will be subject to Canadian federal, or any other jurisdiction specified in the applicable Prospectus Supplement, income tax on the same amounts, in the same manner and at the same times as would have been the case had such Covenant Defeasance not occurred (b) no Event of Default or event that, with the passing of time or the giving of notice, or both, shall constitute an Event of Default shall have occurred and be continuing; (c) the Corporation is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada); and (d) other customary conditions precedent are satisfied.

#### **Modification and Waiver**

Modifications and amendments of the Trust Indenture and to the Debt Securities thereunder may be made by the Corporation and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Debt Securities of all Series then Outstanding and affected (considered as one class) or a majority in principal amount of Debt Securities then Outstanding and affected by the modification or amendment voted at a duly constituted meeting at which the Holders of more than 10% in principal amount of Debt Securities thereby affected are present, to add any provisions to, or change in any manner or eliminate any of the provisions of, the Trust Indenture or modify in any manner the rights of the Holders of the Debt Securities of each such affected Series; provided however, that no such modification or amendment may, without the consent of the Holder of each Debt Security then Outstanding and affected thereby or the consent of 100% of the principal amount of the Holders of Debt Securities affected thereby voted at a duly constituted meeting, (a) change the Stated Maturity of the principal of, or any instalment of interest, on that Debt Security, (b) reduce the principal amount of, or the premium, if any, or interest, on that Debt Security, (c) reduce the amount of principal of that Debt Security payable upon acceleration of the Maturity thereof, (d) change the Place of Payment for that Debt Security, (e) change the currency or currency unit of payment of principal of (or premium, if any), or interest on, that Debt Security, (f) impair the right to institute suit for the enforcement of any payment on or with respect to that Debt Security, (g) reduce the percentage of principal amount of Debt Securities of the affected Series then Outstanding, the consent of the Holders of which is required for modification or amendment of the Trust Indenture or for waiver of compliance with certain provisions of the Trust Indenture or for waiver of certain defaults or (h) modify any provisions of the Trust Indenture relating to the modification and amendment of the Trust Indenture or the waiver of past defaults or covenants except as otherwise specified in the Trust Indenture.

The Holders of a majority in aggregate principal amount of the Debt Securities of all Series then Outstanding and affected (considered as one class) or a majority in principal amount of Debt Securities then Outstanding and affected by the waiver voted at a duly constituted meeting at which the Holders of more than 10% in principal amount of Debt Securities affected thereby are present, may on behalf of the Holders of all affected Debt Securities waive compliance by the Corporation with certain restrictive provisions of the Trust Indenture. The Holders of a majority in aggregate principal amount of Debt Securities of all Series then Outstanding and affected with respect to which a default or breach or an Event of Default shall have occurred and be continuing (considered as one class) or a majority in principal amount of Debt Securities and then Outstanding and affected by the waiver voted at a duly constituted meeting at which the Holders of more than 10% in principal amount of Debt Securities affected thereby are present may on behalf of the Holders of all such affected Debt Securities waive any past or prospective default or breach or Event of Default and its consequences under the Trust Indenture, except a default in the payment of the principal of (or premium, if any) and interest, if any, on any Debt Security or in respect of a provision which under the Trust Indenture cannot be modified or amended without the consent of the Holder of each Debt Security affected or the

consent of 100% of the principal amount of the Holders of Debt Securities then Outstanding and affected thereby voted at a duly constituted meeting. The Trust Indenture or the Debt Securities may be amended or supplemented, without the consent of any Holder of Debt Securities, to cure any ambiguity or inconsistency or to make any change that does not have a materially adverse effect on the rights of any Holders of Debt Securities.

### Governing Law

The Debt Securities issued under the Trust Indenture will be governed by and construed in accordance with the laws of Province of Alberta.

### Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Trust Indenture. Reference is made to the Trust Indenture for the full definition of all such terms.

**Attributable Value** means, as to any particular lease under which any Person is at the time liable for a term of more than 12 months, and at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the remaining term thereof (excluding any subsequent renewal or other extension option held by the lessee), discounted from the respective due dates to the date of determination at a rate equivalent to the rate used for the purposes of financial reporting in accordance with Canadian GAAP. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of insurance, taxes, assessments, utility, operating and labor costs and similar charges.

**Cable Properties** means Cable Television Systems, together with any lines of fibre optic or co-axial cable, transmitters, off-air antennae and microwave system hardware located in Canada and used primarily in operating a Cable Television System.

**Cable Subsidiary** means a Subsidiary whose principal assets are Cable Properties.

**Cable Television System** means a licensed cable distribution undertaking under the *Broadcasting Act* (Canada).

**Capital Lease Obligation** of any Person means the obligation to pay rent or other payment amounts under a lease of (or other arrangements conveying the right to use) real or personal property of such Person which is required to be classified and accounted for as a capital lease or a liability on the face of a balance sheet of such Person in accordance with generally accepted accounting principles and which has a term of at least 12 months. The stated maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

**Capital Stock** of any Person means any and all shares, interests, participations, rights in, or other equivalents (however designated) of corporate stock of such Person.

**Consolidated Net Tangible Assets** means the total amount of assets of any Person and its Subsidiaries on a consolidated basis, after deducting therefrom (i) all current liabilities (excluding any indebtedness classified as a current liability), (ii) all goodwill, tradenames, trademarks, patents, unamortized debt discounts and financing costs and all other like intangible assets and (iii) appropriate adjustments on account of minority interests of other Persons holding shares of the Subsidiaries of such Person, all as set forth in the most recent consolidated balance sheet of such Person and its Subsidiaries (but, in any event, as of a date within 150 days of the date of determination) and computed in accordance with Canadian GAAP.

**Disqualified Stock** of any Person means any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is

redeemable at the option of the holder thereof, in whole or in part, on or prior to the stated maturity of the Debt Securities.

**Government Obligations** means, in respect of any Series of Debt Securities, direct obligations of, or obligations the payment of principal of and interest, if any, on which are fully guaranteed by, the government that issued the currency in which the Debt Securities of such Series are payable and which are payable in the same currency as such Series.

**Guarantee** by any Person means any obligation, contingent or otherwise, of such Person guaranteeing any Indebtedness for Borrowed Money of any other Person (the primary obligor), whether directly or indirectly, and including, without limitation, any obligation of such Person, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness for Borrowed Money or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness for Borrowed Money, (ii) to purchase property, securities or services for the purpose of assuring the holder of such Indebtedness for Borrowed Money of the payment of such Indebtedness for Borrowed Money, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness for Borrowed Money, in each case having the effect of guaranteeing any such Indebtedness for Borrowed Money (and Guaranteed, Guaranteeing and Guarantor shall have the meanings correlative to the foregoing); provided, however, that the Guarantee by any Person shall not include endorsements by such Person for collection or deposit, in either case, in the ordinary course of business nor any obligation which such Person is permitted to satisfy, at its option, by the issuance of Capital Stock which is not Disqualified Stock.

**Indebtedness for Borrowed Money** means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such person and whether or not contingent, (i) every obligation of such Person for money borrowed, (ii) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including any such obligations incurred in connection with the acquisition of property, assets or businesses, (iii) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business), (iv) every Capital Lease Obligation of such Person and the Attributable Value of any other lease for a term of more than 12 months, (v) the maximum fixed redemption or repurchase price of Disqualified Stock of such Person at the time of determination, (vi) every obligation the payment of which could not be considered as interest in accordance with Canadian generally accepted accounting principles under interest rate or currency protection agreements of such Person and (vii) every obligation of the type referred to in clauses (i) through (vi) of another Person the payment of which such Person has Guaranteed or in respect of which such Person has reimbursement obligations with respect to letters of credit, bankers acceptances or similar facilities issued for the account of such Person in respect thereof, but expressly excluding any Capital Stock which is not Disqualified Stock.

**Lien** means, with respect to any properties or assets, any mortgage or deed of trust, pledge, hypothecation, assignment for security, deposit arrangement, security interest, lien, charge or other security agreement or encumbrance of any kind or nature whatsoever on or with respect to such properties or assets (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing and any lease of property or assets for a term of more than 12 months).

**Permitted Liens** of the Corporation or any of its Cable Subsidiaries at any particular time includes:

- (i) with respect to any Series of Debt Securities, Liens existing on the date on which the Debt Securities of such Series are issued;
- (ii) any Lien in favour of a governmental entity in connection with the operations of such Person or any Subsidiary of such Person and not in respect of the financing thereof;
- (iii) Liens in favour of such Person or a Wholly-Owned Subsidiary of such Person (but only so long as it is a Wholly-Owned Subsidiary of such Person);

- (iv) any Lien in respect of Purchase Money Obligations;
- (v) Liens on property or assets existing at the time of acquisition thereof by such Person, provided that such Liens were not incurred in anticipation of such acquisition;
- (vi) Liens on property or assets of a corporation existing at the time such corporation becomes a Cable Subsidiary of the Corporation, or is liquidated or merged into, or amalgamated or consolidated with, the Corporation or a Cable Subsidiary of the Corporation or at the time of the sale, lease or other disposition to the Corporation or a Cable Subsidiary of the Corporation of all or substantially all of the properties and assets of a corporation;
- (vii) any Lien arising under the lease or leases forming part of any Sale and Leaseback Transaction entered into by the Corporation or a Cable Subsidiary of the Corporation provided that, unless the applicable lease or leases are otherwise Permitted Liens, the Corporation or a Cable Subsidiary of the Corporation shall apply, within 180 days of the consummation of such Sale and Leaseback Transaction, an amount equal to the Attributable Value in respect of such lease or leases to (a) the redemption, retirement or defeasance of the Debt Securities or other Indebtedness for Borrowed Money of the Corporation or such Subsidiary ranking at least *pari passu* with the Debt Securities or (b) the purchase or other acquisition (including by way of lease) of property substantially similar to the property sold or transferred as determined by the Board of Directors;
- (viii) any renewal, refunding or extension of any Lien referred to in the foregoing clauses (i) through (vii), inclusive, provided that the principal amount of indebtedness secured thereby after such renewal, refunding or extension is not increased and the Lien is limited to the property or assets originally subject thereto and any improvements thereon; and
- (ix) Liens securing Indebtedness for Borrowed Money not secured by Liens referred to in the foregoing clauses (i) through (viii), inclusive, in an aggregate principal amount at any one time outstanding not to exceed 15% of Consolidated Net Tangible Assets.

**Person** means any natural person, corporation, firm, partnership, joint venture or other unincorporated association, trust, government or governmental authority.

**Purchase Money Obligation** means any monetary obligation (including a Capital Lease Obligation and rental obligations under any other lease for a term of more than 12 months) created, assumed or incurred prior to, at any time of, or within 9 months after, the acquisition (including by way of lease), construction or improvement of any real or tangible personal property, for the purpose of financing all or any part of the purchase price or lease payments in respect thereof, provided that the principal amount of such obligation may not exceed the unpaid portion of the purchase price or lease payments, as applicable, and further provided that any security given in respect of such obligation shall not extend to any property other than the property acquired in connection with which such obligation was created or assumed and fixed improvements, if any, thereto or erected or constructed thereon and the proceeds thereof.

**Sale and Leaseback Transaction** of any Person means an arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by such Person of any property or asset of such Person which has been or is being sold or transferred by such Person more than 9 months after the acquisition thereof or the completion of construction or commencement of operation thereof to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such property or asset. The stated maturity of such arrangement shall be the date of the last payment of rent or any other amount due under such arrangement prior to the first date on which such arrangement may be terminated by the lessee without payment of a penalty.

**Subsidiary** of any Person means a corporation or other business entity more than 50% of the combined voting power of the outstanding Voting Stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof.

**Voting Stock** of any Person means Capital Stock of such Person which ordinarily has voting power for the election of directors (or Persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

**Wholly-Owned Subsidiary** of any Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly-Owned Subsidiaries of such Person or by such Person and one or more Wholly-Owned Subsidiaries of such Person.

### **Registered Global Debt Securities**

The Registered Debt Securities of a particular Series may be issued in the form of one or more Registered Global Debt Securities which will be registered in the name of and be deposited with a Depository, or its nominee, each of which will be identified in the Prospectus Supplement relating to that Series. Unless and until exchanged, in whole or in part, for Securities in definitive registered form, a Registered Global Debt Security may not be transferred except as a whole by the Depository for a Registered Global Debt Security to a nominee of that Depository, by a nominee of that Depository to that Depository or another nominee of that Depository or by that Depository or any nominee of that Depository to a successor of that Depository or a nominee of a successor of that Depository.

The specific terms of the depositary arrangement with respect to any portion of a particular Series of Debt Securities to be represented by a Registered Global Debt Security will be described in the Prospectus Supplement relating to that Series. Shaw anticipates that the following provisions will apply to all depositary arrangements.

Upon the issuance of a Registered Global Debt Security, the Depository therefor or its nominee will credit, on its book entry and registration system, the respective principal amounts of the Debt Securities represented by that Registered Global Debt Security to the accounts of those persons having accounts with that Depository or its nominee ( participants ) as shall be designated by the underwriters, investment dealers or agents participating in the distribution of those Debt Securities or by Shaw if those Debt Securities are offered and sold directly by Shaw. Ownership of beneficial interests in a Registered Global Debt Security will be limited to participants or persons that may hold beneficial interests through participants. Ownership of beneficial interests in a Registered Global Debt Security will be shown on, and the transfer of the ownership of those beneficial interests will be effected only through, records maintained by the Depository therefor or its nominee (with respect to beneficial interests of participants) or by participants or persons that hold through participants (with respect to interests of persons other than participants). The laws of some states in the United States require certain purchasers of securities to take physical delivery thereof in definitive form. These depositary arrangements and these laws may impair the ability to transfer beneficial interests in a Registered Global Debt Security.

So long as the Depository for a Registered Global Debt Security or its nominee is the registered owner thereof, that Depository or its nominee, as the case may be, will be considered the sole owner or Holder of the Debt Securities represented by that Registered Global Debt Security for all purposes under the Trust Indenture. Except as provided below, owners of beneficial interests in a Registered Global Debt Security will not be entitled to have Securities of the Series represented by that Registered Global Debt Security registered in their names, will not receive or be entitled to receive physical delivery of Debt Securities of that Series in definitive form and will not be considered the owners or Holders of those Debt Securities under the Trust Indenture.

Principal, premium, if any, and interest payments on a Registered Global Debt Security registered in the name of a Depository or its nominee will be made to that Depository or nominee, as the case may be, as the registered owner of that Registered Global Debt Security. None of Shaw, the Trustee or any paying agent for Debt Securities of the Series represented by that Registered Global Debt Security will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in that Registered Global Debt Security or for maintaining, supervising or reviewing any records relating to those beneficial interests.

Shaw expects that the Depositary for a Registered Global Debt Security or its nominee, upon receipt of any payment of principal, premium or interest, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of that Registered Global Debt Security as shown on the records of that Depositary or its nominee. Shaw also expects that payments by participants to owners of beneficial interests in that Registered Global Debt Security held through those participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers registered in street name, and will be the responsibility of those participants.

If the Depositary for a Registered Global Debt Security representing Debt Securities of a particular Series is at any time unwilling or unable to continue as Depositary, or if the Depositary is no longer eligible to continue as Depositary, and a successor Depositary is not appointed by Shaw within 90 days, Shaw will issue Registered Debt Securities of that Series in definitive form in exchange for that Registered Global Security. In addition, Shaw may at any time and in its sole discretion determine not to have the Debt Securities of a particular Series represented by one or more Registered Global Debt Securities and, in that event, will issue Registered Debt Securities of that Series in definitive form in exchange for all of the Registered Global Debt Securities representing Debt Securities of that Series.

## DESCRIPTION OF EQUITY SECURITIES

### General

The following sets forth the terms and provisions of the existing share capital of the Corporation. The particular terms and provisions of the Equity Securities offered by a Prospectus Supplement and the extent to which these general terms and provisions apply will be described in such Prospectus Supplement. The authorized share capital of Shaw consists of an unlimited number of Class A Voting Participating Shares (the Class A Shares), an unlimited number of Class B Non-Voting Participating Shares (the Class B Non-Voting Shares) (and, together with the Class A Shares, the Shaw Shares), an unlimited number of Class 1 preferred shares (the Class 1 Preferred Shares), issuable in series, an unlimited number of Class 2 preferred shares (the Class 2 Preferred Shares), issuable in series, an unlimited number of Class A preferred shares (the Class A Preferred Shares) and an unlimited number of Class B preferred shares (the Class B Preferred Shares). As at August 31, 2001, there were 11,403,972 Class A Shares, 220,368,357 Class B Non-Voting Shares and no preferred shares outstanding.

### Class A Shares and Class B Non-Voting Shares

#### *Voting Rights*

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

#### *Dividends*

In general, subject to the rights of any preferred shares outstanding from time to time, holders of Class A Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid, except that, during each Dividend Period (as defined below), the dividends (other than stock dividends) declared and paid on the Class A Shares will always be \$0.005 per share per annum less than the dividends declared and paid in such Dividend Period to holders of the Class B Non-Voting Shares, subject to proportionate adjustment in the event of any future consolidations or subdivisions of Shaw Shares and in the event of any issue of Shaw Shares by way of stock dividends. A Dividend Period is defined as the fiscal year of Shaw or



such other period, not to exceed one year, in respect of which the directors of Shaw have announced a current policy to declare and pay, or set aside for payment, regular dividends on the Shaw Shares.

*Rights on Liquidation*

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

*Conversion Privilege*

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

- (a) **Conversion Period** means the period of time commencing on the eighth day after the Offer Date and terminating on the Expiry Date;
- (b) **Exclusionary Offer** means an offer to purchase Class A Shares that:
  - (i) must, by reason of applicable securities legislation or the requirements of a stock exchange on which the Class A Shares are listed, be made to all or substantially all holders of Class A Shares who are residents of a province of Canada to which the requirement applies; and
  - (ii) is not made concurrently with an offer to purchase Class B Non-Voting Shares that is identical to the offer to purchase Class A Shares in terms of price per share and percentage of outstanding shares to be taken up exclusive of shares owned immediately prior to the offer by the Class A Offeror, and in all other material respects (except with respect to the conditions that may be attached to the offer for Class A Shares), and that has no condition attached other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the offer for Class A Shares, and for the purposes of this definition if an offer to purchase Class A Shares is not an Exclusionary Offer as defined above but would be an Exclusionary Offer if it were not for sub-clause (ii), the varying of any term of such offer shall be deemed to constitute the making of a new offer unless an identical variation concurrently is made to the corresponding offer to purchase Class B Non-Voting Shares;
- (c) **Expiry Date** means the last date upon which holders of Class A Shares may accept an Exclusionary Offer;
- (d) **Offer Date** means the date on which an Exclusionary Offer is made;
- (e) **Class A Offeror** means a person or company that makes an offer to purchase Class A Shares (the bidder), and includes any associate or affiliate of the bidder or any person or company that is disclosed in the offering document to be acting jointly or in concert with the bidder; and
- (f) **Transfer Agent** means the transfer agent for the time being of the Class A Shares.

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

- (a) prior to the time at which the offer is made there is delivered to the Transfer Agent and to the Secretary of Shaw a certificate or certificates signed by or on behalf of one or more shareholders of Shaw owning in the aggregate, as at the time the Exclusionary Offer is made, more than 50% of the then outstanding Class A Shares, exclusive of shares owned immediately prior to the Exclusionary

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Offer by the Class A Offeror, which certificate or certificates shall confirm, in the case of each such shareholder, that such shareholder shall not:

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

### *Modification*

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

### *Offer to Purchase*

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

*Redemption*

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

***Class 1 Preferred Shares***

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

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

***Class 2 Preferred Shares***

The Class 2 Preferred Shares are issuable in one or more series. From time to time before any such issue, the directors may fix the number of shares which is to comprise each series then to be issued and the designation, rights, conditions, restrictions or limitations attaching thereto, including, without limiting the generality of the foregoing, the rate of preferential dividends, and whether or not the same shall be cumulative, the dates of payment thereof, the redemption price and terms and conditions of redemption (including the rights, if any, of the holders of Class 2 Preferred Shares of such series to require the redemption thereof), conversion rights (if any), and any redemption fund, purchase fund or other provisions to be attached to the Class 2 Preferred Shares of such series.

The shares of each successive series of Class 2 Preferred Shares shall have preference over the Class A Shares and Class B Non-Voting Shares (but shall rank junior to the Class 1 Preferred Shares) as to dividends and shall not confer upon the shares of one series a priority over the shares of any other series of Class 2 Preferred Shares in respect of voting, dividends or return of capital. If any amount of cumulative dividends or any amount payable on return of capital in respect of shares of a series of Class 2 Preferred Shares is not paid in full, the shares of such series shall participate rateably with the shares of all other series of the Class 2 Preferred Shares in respect of accumulated dividends and return of capital.

***Share Restrictions***

The statutes which govern the provision of broadcasting and telecommunications services by Shaw and its regulated subsidiaries impose restrictions on the ownership of shares of Shaw and its regulated subsidiaries by persons that are not Canadian. In order to ensure that Shaw and its regulated subsidiaries remain eligible or qualified to provide broadcasting and telecommunications services in Canada, the Articles of Arrangement of Shaw require the directors of Shaw to refuse to issue or register the transfer of any Class A Shares to a person that is not a Canadian if such issue or transfer would result in the total number of such shares held by non-Canadians exceeding the maximum number permitted by applicable law. In addition, the directors of Shaw are required to refuse to issue or register the transfer of any Class A Shares to a person in circumstances where such issue or transfer would affect the ability of Shaw and its regulated subsidiaries to obtain, maintain, amend or renew a licence to carry on any business. The Articles of Arrangement of Shaw further provide that if, for whatever reason, the number of Class A Shares held by non-Canadians or other such persons exceeds the maximum number permitted by applicable law or would affect the ability to carry on any licensed

business, Shaw may to the extent permitted by corporate or communications statutes sell the Class A Shares held by such non-Canadians or other persons as if it were the owner of such shares. The Articles of Arrangement of Shaw also give the directors of Shaw the right to refuse to issue or register the transfer of shares of any class in the capital of Shaw if (i) the issue or the transfer requires the prior approval of a regulatory authority unless and until such approval has been obtained or (ii) the person to whom the shares are to be issued or transferred has not provided Shaw with such information as the directors may request for the purposes of administering these share transactions.

#### **ENFORCEABILITY OF CIVIL LIABILITIES UNDER THE**

##### **U.S. FEDERAL SECURITIES LAWS**

Shaw is incorporated and governed by the laws of the province of Alberta. A substantial portion of Shaw's assets are located outside the United States and some or all of the directors and officers and some or all of the experts named herein are residents of Canada. As a result, it may be difficult for investors to effect service within the United States upon Shaw and upon those directors, officers and experts, or to realize in the United States upon judgments of courts of the United States predicated upon Shaw's civil liability and the civil liability of its directors, officers or experts under the United States federal securities laws. Shaw has been advised by Fraser Milner Casgrain LLP that there is doubt as to the enforceability in Canada by a court in original actions, or in actions to enforce judgments of United States courts, of civil liabilities predicated upon United States federal securities laws.

##### **CERTAIN INCOME TAX CONSIDERATIONS**

The applicable Prospectus Supplement will describe the material Canadian federal income tax consequences to investors of purchasing, owning and disposing of Securities, including, in the case of an investor who is not a resident of Canada, whether payments of principal, premium, if any, and interest will be subject to Canadian non-resident withholding tax.

The applicable Prospectus Supplement will also describe certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Securities by an investor who is a United States person, including, to the extent applicable, certain relevant U.S. federal income tax rules pertaining to capital gains and ordinary income treatment, original issue discount, backup withholding and the foreign tax credit, and any consequences relating to Securities payable in a currency other than U.S. dollars, issued at an original discount for U.S. federal income tax purposes or containing early redemption provisions or other special terms.

## RISK FACTORS

Prospective purchasers of the Securities should consider carefully the risk factors set forth below as well as the other information contained and incorporated by reference in this short form prospectus and the applicable Prospectus Supplement before purchasing the Securities offered under the applicable Prospectus Supplement.

### **Holding Company Structure**

Substantially all of Shaw's business activities are operated by its subsidiaries. As a holding company, the Corporation's ability to meet its financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from its subsidiaries together with proceeds raised by the Corporation through the issuance of equity and debt and from the proceeds from the sale of assets. The Corporation's subsidiaries are distinct legal entities and have no obligation, contingent or otherwise, to pay any amount due pursuant to the Securities or to make any funds available therefor, whether by dividends, interest, loans, advances or other payments. In addition, the payment of dividends and the making of loans, advances and other payments to the Corporation by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

In addition, because the Corporation is a holding company, the Securities are effectively subordinated to all existing and future liabilities, including trade payables and other indebtedness, of the Corporation's subsidiaries, except to the extent the Corporation is a creditor of such subsidiaries. Should any of the Corporation's subsidiaries be liquidated, restructured or become insolvent, the Corporation's ability to meet its financial obligations, including its obligations under the Securities, would be affected to the extent that such subsidiaries could no longer make payments to the Corporation. In addition, any right of the Corporation as an equity holder to participate in any distribution of the assets of any of the Corporation's subsidiaries upon the liquidation, reorganization or insolvency of any such subsidiaries (and the consequent right of the holders of the Securities to participate in such distributions) will be subject to the claims of the creditors (including trade creditors) and any preferred shareholders of such subsidiaries. As at August 31, 2001, indebtedness and other liabilities of the Corporation's subsidiaries totalled approximately \$1,217.8 million, excluding intercompany liabilities.

### **Control of Shaw by the Shaw Family**

JR Shaw and members of his family and the corporations owned and/or controlled by JR Shaw and members of his family (the JR Shaw Group) currently own approximately 76.5% of the outstanding Class A Shares in the capital of Shaw. The Class A Shares are the only shares entitled to vote in all circumstances. All of the Class A Shares held by the JR Shaw Group are subject to a voting trust agreement entered into by such persons. The voting rights with respect to such Class A Shares are exercised by the representative of a committee of five trustees. Accordingly, the JR Shaw Group is, and as long as it owns a majority of the Class A Shares will continue to be, able to elect a majority of the Board of Directors of Shaw and to control the vote on matters submitted to a vote of Shaw's Class A shareholders.

### **Competition**

The Corporation's businesses face competition from entities utilizing other communications technologies and may face competition from other technologies being developed or to be developed in the future. Competitors of Shaw's cable television and satellite businesses include direct-to-home satellite service providers (in the case of Shaw's cable television business), cable television operators (in the case of Shaw's satellite business), grey market satellite service providers and other competitors such as wireless operators, telephone companies and off-air television broadcasters. Competitors of the Corporation's internet business include on-line service and content providers, basic service access providers, telephone companies and wireless communications companies.

Recent regulatory and public policy trends favour the emergence of a more competitive environment. There can be no assurance that increased competition will not have a material adverse effect on the Corporation's results of operations.

### **Impact of Regulation**

Substantially all of the Corporation's business activities are regulated by the Canadian Federal Department of Industry under the supervision of the Canadian Minister of Industry and the Canadian Radio-television and Telecommunications Commission (CRTC) and, accordingly, the Corporation's results of operations are affected by changes in regulations and decisions by regulators. Such regulation relates to, among other things, licensing and the rates Shaw may charge for its basic cable television services. Changes in the regulation of Shaw's business activities, including decisions by regulators affecting the Corporation's operations (such as the granting or renewal of licenses or decisions as to the basic cable rates the Corporation may charge its customers or the granting of additional distribution, broadcasting or programming licenses to competitors in the Corporation's markets) or changes in interpretations of existing regulations by courts or regulators, could adversely affect the Corporation's results of operations. The Corporation's CRTC licenses must be renewed from time to time and cannot be transferred without regulatory approval.

### **LEGAL MATTERS**

Unless otherwise specified in the applicable Prospectus Supplement relating to Securities, certain legal matters will be passed upon for the Corporation by Fraser Milner Casgrain LLP, Calgary, Alberta, and by Sherman & Howard LLC, Denver, Colorado. As to all matters of U.S. federal and New York law, Fraser Milner Casgrain LLP may rely upon the opinion of Sherman & Howard LLC.

The partners and associates of Fraser Milner Casgrain LLP and Sherman & Howard LLC as a group beneficially own, directly or indirectly, less than 1% of the outstanding securities of the Corporation.

### **DOCUMENTS FILED AS PART OF THE U.S. REGISTRATION STATEMENT**

The following documents have been (or will be) filed with the SEC as part of the registration statement of which this prospectus is a part:

the documents listed in the third paragraph under "Where You Can Find More Information" in this prospectus;

consents of independent chartered accountants and counsel;

powers of attorney from directors and officers of Shaw;

form of the Trust Indenture relating to the Securities;

statement of eligibility of the Trustee on Form T-1; and

earnings coverage ratios.

**PLAN OF DISTRIBUTION**

The Corporation may sell the Securities to or through underwriters or dealers, and also may sell Securities to one or more other purchasers directly or through agents. Each Prospectus Supplement will set forth the terms of the offering, including the name or names of any underwriters or agents, the purchase price or prices of the Securities and the proceeds to the Corporation from the sale of the Securities.

The Securities may be sold, from time to time in one or more transactions at a fixed price or prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

Underwriters, dealers and agents who participate in the distribution of the Securities may be entitled under agreements to be entered into with the Corporation to indemnification by the Corporation against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. Such underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, the Corporation in the ordinary course of business.

In connection with any offering of Securities, the underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

**SCHEDULE A**

The audited consolidated financial statements of Videon CableSystems Inc. (formerly Moffat Communications Limited) for the period ended August 31, 2001, together with the auditors' report thereon.

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**AUDITORS REPORT**

To the Directors of

**Videon CableSystems Inc. (formerly Moffat Communications Limited)**

We have audited the consolidated balance sheet of **Videon CableSystems Inc.**( Videon ) as at August 31, 2001 and the consolidated statements of income (loss), deficit and cash flows for the six months then ended and the consolidated statements of income (loss) and cash flows of Moffat Communications Limited ( Moffat ) for the six months ended February 28, 2001. These financial statements are the responsibility of Videon s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Videon as at August 31, 2001 and the results of its operations and its cash flows for the six months then ended and the results of operations and cash flows of Moffat for the six months ended February 28, 2001 in accordance with Canadian generally accepted accounting principles.

As described in note 1 to the consolidated financial statements, effective March 1, 2001 Shaw Communications Inc., through its wholly-owned subsidiary Videon, acquired Moffat in a business combination accounted for as a purchase. As a result of the acquisition, the consolidated financial information with respect to Videon is presented on a different cost basis than that for Moffat and therefore is not comparable.

The consolidated financial statements of Moffat as at August 31, 2000 and for the year then ended were audited by other chartered accountants.

Calgary, Canada  
October 9, 2001

(Signed) ERNST & YOUNG LLP  
Chartered Accountants

## VIDEON CABLESYSTEMS INC.

## CONSOLIDATED BALANCE SHEET

(See basis of presentation note 1)

As at August 31

	2001
	(thousands of dollars)
<b>ASSETS</b>	
<b>Current</b>	
Cash	\$ 924
Accounts receivable	10,685
Inventories	6,455
Income taxes recoverable	4,170
Prepaid expenses	1,722
Assets held for sale <i>[note 4]</i>	89,500
	<hr/>
	113,456
Investment	7
Capital assets <i>[note 5]</i>	349,533
Deferred charges <i>[note 6]</i>	6,250
Intangible assets <i>[note 7]</i>	1,662,220
	<hr/>
	\$2,131,466
	<hr/>
<b>LIABILITIES AND SHAREHOLDER S EQUITY</b>	
<b>Current</b>	
Accounts payable and accrued liabilities	\$ 52,243
Due to parent <i>[note 15]</i>	169,222
Unearned income	8,839
Current portion of unearned IRU rental revenue <i>[note 10]</i>	3,058
	<hr/>
	233,362
Debenture debt <i>[note 9]</i>	130,000
Deferred credits <i>[note 10]</i>	94,034
Future income taxes <i>[note 12]</i>	391,532
	<hr/>
	848,928
	<hr/>
Commitments and contingencies <i>[notes 3, 8, 13 and 17]</i>	
<b>Shareholder s equity</b>	
Capital stock <i>[note 11]</i>	1,305,623
Deficit	(24,097)
Cumulative translation adjustment	1,012
	<hr/>
	1,282,538
	<hr/>
	\$2,131,466
	<hr/>

On behalf of the Board:

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(Signed) JR SHAW  
Director

(Signed) MARGOT MICALLEF  
Director

*See accompanying notes*

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## VIDEON CABLESYSTEMS INC.

## CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Videon	Moffat (predecessor company)
	Six months ended August 31, 2001	Six months ended February 28, 2001
	(thousands of dollars)	
<b>Revenue</b>	\$ 110,874	\$ 110,368
Operating, general and administrative expenses <i>[note 15]</i>	63,037	66,813
<b>Operating income before amortization</b>	47,837	43,555
Amortization of capital assets	24,697	20,878
Amortization of intangible assets and deferred charges <i>[notes 6 and 7]</i>	9,430	2,921
Amortization of deferred IRU revenue <i>[note 10]</i>	(1,530)	(1,529)
<b>Operating income</b>	15,240	21,285
Interest	13,690	13,955
	1,550	7,330
Costs related to acquisition of Moffat by Videon <i>[note 1]</i>		(18,653)
Loss on sale of shares in GT Group Telecom Inc. <i>[note 10]</i>		(21,636)
Other revenue	226	
<b>Income (loss) from continuing operations before income taxes</b>	1,776	(32,959)
Income tax recovery <i>[note 12]</i>	(1,432)	(12,117)
<b>Income (loss) from continuing operations</b>	3,208	(20,842)
Income from discontinued operations <i>[note 4]</i>		5,046
<b>Net income (loss) for the period</b>	\$ 3,208	\$ (15,796)

## CONSOLIDATED STATEMENT OF DEFICIT

	Videon 2001
	(thousands of dollars)
Balance, March 1, 2001	
Net income for the period	\$ 3,208
Dividends	(27,305)
<b>Balance, August 31, 2001</b>	<b>\$ (24,097)</b>

*See accompanying notes*

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## VIDEON CABLESYSTEMS INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Videon	Moffat (predecessor company)
	Six months ended August 31, 2001	Six months ended February 28, 2001
(thousands of dollars)		
<b>Operating activities</b>		
Net income (loss) from continuing operations	\$ 3,208	\$ (20,842)
Items not affecting current cash flow		
Amortization and non-cash interest	34,273	24,300
Future income taxes	(3,289)	(13,699)
Amortization of deferred IRU rental revenue	(1,530)	(1,529)
Loss on sale of GT Group Telecom Inc. shares		21,636
Other	(571)	
	<u>32,091</u>	<u>9,866</u>
Cash flow from continuing operations	32,091	9,866
Net change in non-cash working capital items <i>[note 18]</i>	(15,918)	9,030
	<u>16,173</u>	<u>18,896</u>
<b>Investing activities</b>		
Additions to capital assets	(26,218)	(58,262)
Purchase of assets of cable television systems <i>[note 3]</i>	(1,239)	(3,787)
Moffat acquisition <i>[note 1]</i>	(428,990)	
Deposit on assets held for sale <i>[note 4]</i>	150,000	
Proceeds on sale of GT Group Telecom Inc. shares		28,374
Additions to deferred start-up and development charges		(5,914)
Additions to equipment subsidies	(2,450)	
Other	47	(363)
	<u>(308,850)</u>	<u>(39,952)</u>
<b>Financing activities</b>		
Increase in bank debt	5,000	398,000
Repayments of bank debt	(247,000)	(388,000)
Proceeds on issuance of shares <i>[note 11]</i>	398,872	9,322
Advances from parent company	164,027	
Dividends paid	(27,305)	(1,548)
	<u>293,594</u>	<u>17,774</u>
<b>Net increase in cash (bank indebtedness)</b>	917	(3,282)
Effect of currency translation on cash balances and cash flows	7	
Increase in bank indebtedness attributable to discontinued operations		(81)
Bank indebtedness, beginning of period		(9,010)
	<u>\$ 924</u>	<u>\$ (12,373)</u>
<b>Cash position (bank indebtedness), end of period</b>	\$ 924	\$ (12,373)



*See accompanying notes*

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## VIDEON CABLESYSTEMS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2001

(dollar amounts in thousands, except share and per share data and except where indicated as millions)

**1. BASIS OF PRESENTATION**

Videon CableSystems Inc. ( Videon or the Company ) is a subsidiary of Shaw Communications Inc. ( Shaw ) and commenced operations effective March 1, 2001 as a result of Shaw's acquisition through Videon of Moffat Communications Limited ( Moffat ) on that date. The acquisition of Moffat has been accounted for as a purchase and the assets acquired and liabilities assumed were recorded at their assigned fair values on March 1, 2001. The total purchase price of acquiring 100% of Moffat was \$1,340,402, consisting of \$765,238 in Shaw Class B shares, \$428,990 in cash, \$141,513 in shares of Moffat acquired previously, and \$4,661 in accounts payable.

The excess of the purchase price over the book value of the net identifiable assets acquired has been allocated to assets and liabilities to record them at their respective fair values at March 1, 2001 as follows:

Assets held for sale <i>[note 4]</i>	\$ 239,500
Investment	7
Capital assets	346,885
Deferred charges	4,492
Intangible assets	1,668,510
Working capital deficiency	(52,957)
Long-term debt	(372,000)
Indefeasible right of use	(89,200)
Fair value adjustment on debt assumed	(10,014)
Future income taxes	(394,821)
	<hr/>
Purchase price	\$ 1,340,402
	<hr/>

Accordingly, the Videon financial statements reflect a change in the basis of accounting for the assets and liabilities to reflect fair values resulting from the Moffat acquisition. The accompanying consolidated financial statements for periods prior to March 1, 2001 and as at dates prior to March 1, 2001 do not include the effects of the acquisition resulting from the purchase. Accordingly, the consolidated financial statements of Moffat are not comparable with the consolidated financial statements of Videon.

In connection with the acquisition of Moffat by Shaw, Moffat incurred costs of \$18.7 million relating to consulting and professional fees associated with the take-over bid and in respect of additional compensation and pension costs arising on the change of control. These costs were reflected in the financial statements of Moffat for the period ending February 28, 2001.

**2. SIGNIFICANT ACCOUNTING POLICIES**

Videon is a wholly owned subsidiary of Shaw, which is a public company with shares listed on the Toronto and New York Stock Exchanges. Videon is a continuation of Moffat which, prior to its acquisition by Shaw, was a Canadian public company providing cable and Internet services in Canada and the United States. In addition, Moffat owned WTN, a nationally distributed specialty television network and CKY-TV, the CTV Television Network in Manitoba.

The consolidated financial statements of Videon and Moffat are prepared by management in Canadian dollars in accordance with Canadian generally accepted accounting principles.



**VIDEON CABLESYSTEMS INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****August 31, 2001**

(dollar amounts in thousands, except share and per share data and except where indicated as millions)

**Principles of consolidation**

The consolidated financial statements of Videon and Moffat include the accounts of the respective companies and those of their respective subsidiaries, all of which are wholly owned. Intercompany transactions and balances are eliminated on consolidation. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

**Capital assets**

Capital assets are recorded at cost. Capital asset costs, less estimated residual values, where applicable, are charged to income over their estimated useful lives on a straight-line basis as follows:

Asset	Estimated useful life
Buildings	20-40 years
Distribution networks	10-15 years
Broadcasting and production equipment	15 years
Converters and modems	7 years
Data processing	4 years
Other	3-10 years

**Deferred charges**

Deferred charges include start-up and development costs related to new services, financing costs related to the issuance of debenture debt and equipment subsidies. Start-up and development costs are amortized on a straight-line basis over a period of two to four years and are included in amortization expense. Financing costs related to debenture debt are amortized on a straight-line basis over the term of financing, and are included in interest expense. Equipment subsidies relate to the cost of equipment sold to subscription television customers in order to expand the customer base. These subsidies are deferred and amortized on a straight-line basis over two years.

**Intangible assets**

Intangible assets represent cable television franchises and subscriber bases that have arisen from business acquisitions and have been assigned values equivalent to their fair value at date of acquisition. Cable television franchises and subscriber bases are amortized over 40 years using a 4% sinking fund method.

The carrying value of these intangible assets is reviewed annually by management to determine if impairment has occurred and, based on its review, management does not believe that any impairment of the carrying value of intangible assets has occurred.

**Income taxes**

Income taxes have been accounted for using the liability method, whereby future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Income tax expense for the period is the tax payable for the period and any change during the period in future income tax assets and liabilities.

**VIDEON CABLESYSTEMS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**August 31, 2001**

(dollar amounts in thousands, except share and per share data and except where indicated as millions)

**Revenue and expenses**

Revenue from cable television and Internet customers includes earned subscriber service revenue prior to the payment of any network fees to third parties. Service charges billed or paid for in advance are deferred and recorded as revenue when earned. Income includes subscriber connection fees, as they are considered to represent a partial recovery of initial selling expenses and related administrative and general office expenses. Subscriber connection costs are capitalized as part of the distribution system and cost of disconnections are expensed as incurred.

**Unearned IRU rental revenue**

An indefeasible right to use ( IRU ) specific fiber strands in certain of the fiber optic cable networks have been granted to third parties for a period of 30 years. Unearned IRU rental revenue is deferred and recorded in income, on a straight-line basis, over the 30-year term of the IRU.

**Foreign currency translation**

The accounts of U.S. subsidiary companies, all of which are considered self-sustaining foreign operations, have been translated into Canadian dollars on the following basis:

- (i) all assets and liabilities at the year-end rate of exchange; and
- (ii) revenue and expense items at average rates during the year.

The resulting exchange gains or losses are recorded as a component of shareholders' equity entitled cumulative translation adjustment.

**Financial and credit risk**

*Financial risk*

Financial risk to earnings is the risk that arises from fluctuations in interest rates and foreign exchange rates, and the degree of volatility of these rates. Interest rate swap agreements are utilized to manage fluctuations in interest rates. Derivative instruments have not been used to reduce exposure to foreign exchange rate risk.

*Credit risk*

Credit risk associated with interest rate swap agreements arises from the possibility that counterparties to these agreements may default on their obligations. This risk is minimized by entering into interest rate swap agreements with banks within syndicated credit facilities.

Accounts receivable are exposed to credit risk, however, the exposure is minimal because of the large customer base.

*Fair value*

Financial assets and liabilities are initially recorded at the exchange amount of the related transaction, which is normally historical cost. When the fair value of a financial asset is determined to be permanently impaired, the carrying amount of the asset is reduced to reflect such fair value.

**VIDEON CABLESYSTEMS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**August 31, 2001**

(dollar amounts in thousands, except share and per share data and except where indicated as millions)

The fair value of current financial assets and liabilities, which are subject to normal trade terms, approximates carrying value.

Debenture debt bears interest at fixed rates, the fair value of which is based upon current trading values of similar financial instruments.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and the revenues and expenses during the year. Actual results could differ from those estimates.

**3. ACQUISITIONS**

Under the term of an agreement to acquire cable television assets in a prior year, the Company is committed to purchase additional subscribers, on a quarterly basis, over a three-year period ending May 31, 2003 to a maximum of \$17.4 million. Approximately 3,300 subscribers for U.S.\$7.8 million are remaining in respect of this commitment at August 31, 2001.

Additional subscribers were purchased by Moffat under this commitment during the period ended February 28, 2001 at a cost of \$3,787 and by Videon during the six-month period ended August 31, 2001 at a cost of \$2,587.

**4. DISPOSITION OF WTN AND CKY**

In conjunction with Shaw's plans to acquire Moffat through Videon, agreements were made to dispose of the investment in WTN for \$202.5 million to Corus Entertainment Inc. ( Corus ) (a related party - see note 15) and CKY for \$37 million to CTV Inc. Accordingly, Videon recorded the assets of WTN and CKY as assets held for sale at the date of the Moffat acquisition at the agreed upon selling price less a deposit for \$150 million received from Corus on the WTN sale. The sale of WTN is subject to CRTC approval, however, Corus is still obliged to pay for the acquisition notwithstanding the decision to be made by the CRTC on ownership. The sale of CKY closed in September 2001. Videon will not record any gain or loss as a result of these dispositions.

In the Moffat financial statements, WTN and CKY represented the Canadian television business segment which has been reflected as discontinued operations as at February 28, 2001.

WTN and CKY revenue recorded in the Moffat financial statements for the six-month period ended February 28, 2001 amounted to \$26,263.

## VIDEON CABLESYSTEMS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

August 31, 2001

(dollar amounts in thousands, except share and per share data and except where indicated as millions)

## 5. CAPITAL ASSETS

	2001	
	Cost	Accumulated amortization
Land	\$ 2,900	
Buildings	16,159	\$ 534
Distribution networks	271,536	14,790
Converters and modems	52,434	5,435
Data processing	7,131	1,588
Other	24,070	2,350
	<u>\$374,230</u>	<u>\$24,697</u>
Net book value		<u>\$349,533</u>

During the six-month period ending February 28, 2001, \$612 was recorded as amortization on discontinued operations.

## 6. DEFERRED CHARGES

	2001	
	Cost	Accumulated amortization
Start-up and development	\$1,171	\$195
Financing costs	2,678	146
Equipment subsidies	2,450	195
Other	650	163
	<u>\$6,949</u>	<u>\$699</u>
Net book value		<u>\$6,250</u>

During the six month periods ending August 31, 2001 and February 28, 2001, \$553 and \$49 respectively was recorded as amortization; and \$146 and \$501 respectively was recorded as interest expense.

## 7. INTANGIBLE ASSETS

2001

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	<u>Cost</u>	<u>Accumulated amortization</u>
Cable television franchises and subscriber bases		
Canada	\$ 1,368,178	\$ 7,275
United States	302,919	1,602
	<u>\$ 1,671,097</u>	<u>\$ 8,877</u>
Net book value	<u>\$ 1,662,220</u>	

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## VIDEON CABLESYSTEMS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

August 31, 2001

(dollar amounts in thousands, except share and per share data and except where indicated as millions)

During the six month periods ending August 31, 2001 and February 28, 2001, \$8,877 and \$2,872 respectively was recorded as amortization on continuing operations and for the six months ending February 28, 2001, \$476 was recorded on discontinued operations.

**8. BANK INDEBTEDNESS AND LONG-TERM BANK DEBT****Videon**

Effective June 18, 2001, Shaw advanced sufficient funds to Videon to repay the amounts outstanding under the revolving line of credit and seven-year credit agreement assumed on the Moffat acquisition. On that date, Videon also paid Shaw \$5,195 to assume the obligations on interest rate swaps also assumed on the acquisition of Moffat.

**Moffat**

The credit facilities of a wholly owned subsidiary of Moffat assumed on the acquisition were as follows:

- (a) \$40 million revolving line of credit with the same security as the syndicated credit facility described below. Letters of credit were issued under this credit facility which reduced the availability of the line of credit.
- (b) Seven-year credit agreement with a syndicate of banks for a revolving and reducing facility in the original amount of \$400 million maturing August 2005.

In November 2000, the Moffat subsidiary also entered into interest rate swap agreements in order to fix interest rates on certain portions of its long-term bank debt. As at February 28, 2001, these interest rate swaps had a negative value of \$9.1 million. The details of these agreements are as follows:

Notional Principal	Rate	Maturity
\$ 70,000	6.12%	February 14, 2007
\$ 70,000	6.14%	February 14, 2009
\$ 70,000	6.17%	February 14, 2011

Interest on long-term bank debt was based on rates related to bankers' acceptances and interest rate swap agreements plus applicable fees.

The effective interest rate on long-term bank debt for the six-month period ended August 31, 2001 was 8.35%. Interest expense on long-term debt for the six-month period ending August 31, 2001 amounted to \$5,089. The effective interest rate on long-term bank debt for the six-month period ended February 28, 2001 was 7.18%. Interest expense, including amortization of financing costs, on long-term bank debt for the six-month period ending February 28, 2001 amounted to \$8,505.

**9. DEBENTURE DEBT**

	2001
8.15% Senior Secured Debentures, Series A due April 26, 2010, interest payable semi-annually on April 26 and October 26	\$ 130,000

Pursuant to the inter-creditor agreement between the debenture holders and the syndicate of banks which had provided a credit facility to Moffat, the debenture holders were required to release the debenture



## VIDEON CABLESYSTEMS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

August 31, 2001

(dollar amounts in thousands, except share and per share data and except where indicated as millions)

security when the credit facilities were repaid in June 2001. As a result, the debentures are unsecured. The effective interest rate on the debentures is 7.63% effective March 1, 2001 after giving effect to the mark-to-market adjustment on the debt at the date of the Moffat acquisition which adjustment is included in deferred credits (see note 10). The Senior Secured Debentures are fully and unconditionally guaranteed by Videon and rank equally with bank debt.

The effective interest rate on the Senior Secured Debentures was 8.4% for the six months ended February 28, 2001. Interest expense, including amortization of financing costs, on the Senior Secured Debentures amounted to \$5 million and \$5 million for the six-month periods ended August 31, 2001 and February 28, 2001 respectively.

At August 31, 2001, the fair value of the Senior Secured Debentures was approximately \$136 million.

**10. DEFERRED CREDITS**

	2001	
	Cost	Accumulated amortization
Indefeasible right to use IRU agreements	\$89,200	\$1,530
Fair value adjustments on debt assumed on acquisition	10,014	592
	<u>99,214</u>	<u>2,122</u>
Less current portion of IRU	3,058	
	<u>\$96,156</u>	<u>\$2,122</u>
Net book value of long-term portion		<u>\$94,034</u>

In a prior year, Moffat disposed of certain assets (of its competitive access provider business known as FiberLink), and granted an indefeasible right to use (IRU) specific fiber strands in certain of its fiber optic cable networks for 30 years, to GT Group Telecom Inc. (GT). In exchange, Moffat received cash plus shares of GT valued at \$50 million. Proceeds of \$91.7 million were allocated to unearned IRU rental revenue. During the six-month periods ending August 31, 2001 and February 28, 2001, \$1,530 and \$1,529 respectively was recorded as IRU rental revenue.

On February 8, 2001 Moffat sold its shares in GT for \$28.4 million resulting in a loss of \$21.6 million.

During the six month periods ending August 31, 2001 and February 28, 2001, \$592 and \$nil respectively was recorded as amortization in respect of fair value adjustments on debt and interest rate swaps and was offset against interest expense.



## VIDEON CABLESYSTEMS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

August 31, 2001

(dollar amounts in thousands, except share and per share data and except where indicated as millions)

## 11. CAPITAL STOCK

## Videon

Videon is authorized to issue an unlimited number of Class A and Class B common shares and an unlimited number of preferred shares.

## Issued and outstanding

	2001	
	Number of securities	\$
Class A common shares	27,616,269	906,751
Preferred shares	398,872	398,872
		<u>1,305,623</u>

Videon was incorporated on December 19, 2000 and issued 100 Class A common shares to Shaw. Shaw indirectly subscribed for 398,872 preferred shares for cash consideration on January 22, 2001. In March 2001, Videon issued 27,616,169 Class A common shares to Shaw and two of its subsidiaries and received previously acquired shares of Moffat as consideration.

The preferred shares are voting and are redeemable at the lesser of \$1,000 per share (redemption amount) and the realizable value of the net assets of the Company immediately prior to such redemption. The preferred shares are entitled to a non-cumulative dividend of 8% per annum on the redemption amount.

## Moffat

The authorized capital of Moffat consisted of an unlimited number of common shares and at February 28, 2001 there were 39,012,520 common shares issued and outstanding.

On August 2, 2000, Moffat filed a normal course issuer bid authorizing it to acquire for cancellation up to 350,000 common shares during the period commencing on August 4, 2000 and ending on August 3, 2001. Moffat did not purchase for cancellation any common shares during the six-month period ending February 28, 2001.

Moffat had a Stock Option Plan for certain executives and, immediately prior to the acquisition of Moffat by Shaw had granted the following options:

Options Granted	Exercise Price	Date Options Exercisable	Expiry Date
55,200	\$28.86	July 24, 2001	July 26, 2010
55,200	28.86	July 25, 2002	July 26, 2010
31,000	28.86	July 25, 2003	July 26, 2010
81,300	28.86	July 23, 2004	July 26, 2010
100,300	28.86	July 27, 2005	July 26, 2010

323,000  
**\_\_\_\_\_**

All of the above stock options were exercised prior to the acquisition of Moffat effective March 1, 2001.

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## VIDEON CABLESYSTEMS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

August 31, 2001

(dollar amounts in thousands, except share and per share data and except where indicated as millions)

## 12. INCOME TAXES

Effective September 1, 2000, Moffat changed its method of accounting for income taxes from the deferral method to the liability method of tax allocation as required by new Canadian accounting standards. The change was made on a cumulative retroactive basis without restating the individual financial statements of any prior periods. The change resulted in an increase in intangible assets and in future income taxes of \$25.2 million as at September 1, 2000.

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of Videon's future tax liabilities and assets are as follows:

	<u>2001</u>
Future income tax liabilities	
Capital assets	\$ 15,237
Intangible assets	387,601
	<u>402,838</u>
Future income tax assets	
Deferred charges	2,401
Loss carryforwards	8,905
	<u>11,306</u>
Net future income tax liability	<u>\$391,532</u>

The income tax expense or benefit differs from the amount computed by applying statutory rates to income before income taxes for the following reasons:

	<u>Videon</u>	<u>Moffat (predecessor company)</u>
	<u>Six months ended August 31, 2001</u>	<u>Six months ended February 28, 2001</u>
Current statutory income tax rate	38.5%	38.5%
Income taxes expense (benefit) at current statutory rate	\$ 684	\$(12,689)
Increase (decrease) in taxes resulting from:		
Effect of future tax rate reductions		(5,338)
Large corporations tax	1,875	8
Non-taxable portion of (gains) losses on sale of assets and investments		6,647

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Dividends	(5,094)	
Amortization on amounts assigned to assets on business combinations not deductible for tax purposes	854	291
Originating temporary differences recorded at future tax rates expected to be in effect when realized	195	(795)
Other	54	(241)
	<u>          </u>	<u>          </u>
Income tax benefit	<u>\$ (1,432)</u>	<u>\$ (12,117)</u>

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## VIDEON CABLESYSTEMS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

August 31, 2001

(dollar amounts in thousands, except share and per share data and except where indicated as millions)

Significant components of the provision for income taxes are as follows:

Current tax expense	\$ 1,857	\$ 1,582
Future income tax benefit related to origination and reversal of temporary differences	(3,289)	(8,361)
Future income tax recovery resulting from rate changes		(5,338)
	<u>          </u>	<u>          </u>
Income tax benefit	\$ (1,432)	\$ (12,117)
	<u>          </u>	<u>          </u>

## 13. LEASE COMMITMENTS

Operating lease commitments of Videon are as follows:

2002	\$ 3,622
2003	3,647
2004	3,610
2005	3,627
2006	2,380
2007 and thereafter	41
	<u>          </u>
	\$ 16,927
	<u>          </u>

## 14. PENSION PLANS

Effective June 1, 2001, the Videon employees became members of the Shaw defined contribution pension plan, transferring from the Moffat defined contribution plan. Following the acquisition of Moffat by Videon, a small Moffat defined benefit pension plan and unfunded supplemental pension plan for certain executives was terminated and the accumulated benefits were paid out. The costs of terminating these plans were accrued at the time of the Moffat acquisition.

The pension expense recognized in the financial statements of Videon for the six-months ended August 31, 2001 is \$532 and in the Moffat financial statements for the six-months ended February 28, 2001 is \$756 and \$3,985 is included in costs related to the acquisition of Moffat by Videon.

## 15. RELATED PARTY TRANSACTIONS

During the six-month period ended August 31, 2001, the following transactions occurred between Videon (a wholly-owned subsidiary of Shaw Communications Inc.) and Shaw and its other subsidiaries including Canadian Satellite Communications Inc., and between Videon and Corus Entertainment Inc. ( Corus ) and Videon and GT. Shaw and Corus are companies subject to common voting control. Shaw exercises significant influence over GT.

## (a) Shaw and its subsidiaries

Videon paid to subsidiaries of Shaw, \$287 for back-haul charges for its Internet services and \$1,036 for satellite relay distribution undertakings. In May 2001, Videon purchased from Shaw \$420 million of 12.5% preferred shares ( Preferred Shares ) of a subsidiary of Shaw and subsequently sold the Preferred Shares back to Shaw in August 2001 for the same amount. The Company paid for the Preferred Shares by the issuance of a promissory note to Shaw for \$420 million, which was cancelled upon the sale of the Preferred Shares back to Shaw. The promissory note had an interest



## VIDEON CABLESYSTEMS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

August 31, 2001

(dollar amounts in thousands, except share and per share data and except where indicated as millions)

rate of 12%. Dividends received of \$13,233 in excess of the interest expense of \$12,704 (\$529) have been presented as other revenue.

The amount due to parent is comprised of funds advanced to Videon by Shaw to retire Videon's credit facility in June 2001 and to fund Videon's working capital requirements. The intercompany advance is without stated terms of repayment and bears interest at 12%.

During the period ended August 31, 2001, Videon paid \$5,325 in interest to Shaw on these advances.

(b) **Corus**

Network fees of \$3,850 were paid to Corus subsidiaries and entities subject to significant influence.

(c) **GT**

Videon paid GT \$531 for back-haul charges and performed maintenance for GT in respect of the fiber subject to the IRU for \$178.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**16. SEGMENTED INFORMATION**

Videon has one reportable business segment in Canada and one reportable segment in the United States, both providing cable and Internet services. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The following is a summary of information relevant to each segment for Videon and Moffat:

**Videon**

	Six months ended August 31, 2001			Total
	Canadian cable and Internet	U.S. cable and Internet	Corporate items and eliminations	
Revenue	\$ 80,460	\$ 30,414		\$ 110,874
Expenses	44,132	18,905		63,037
Operating income before amortization	\$ 36,328	\$ 11,509		\$ 47,837
Total assets	\$ 1,597,503	\$ 435,999	\$ 97,964	\$ 2,131,466
Intangible assets	1,360,903	301,317		1,662,220
Capital assets	218,953	130,129	451	349,533
Capital asset additions	8,616	17,599	3	26,218

## VIDEON CABLESYSTEMS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

August 31, 2001

(dollar amounts in thousands, except share and per share data and except where indicated as millions)

## Moffat

	Six months ended February 28, 2001			
	Canadian cable and Internet	U.S. cable and Internet	Corporate items and eliminations	Total
Revenue	\$ 81,029	\$ 29,252	\$ 87	\$ 110,368
Expenses	49,811	16,134	868	66,813
Operating income before amortization	\$ 31,218	\$ 13,118	\$ (781)	\$ 43,555
Capital asset additions	\$ 39,395	\$ 18,729	\$ 138	\$ 58,262

## 17. CONTINGENCIES

The City of Edmonton ( Edmonton ) has claimed that in addition to its linear property tax assessed on the distribution network of Videon, Edmonton has the right to charge additional fees for access to and use of public rights of way under the supervision and control of Edmonton, and is entitled to recover costs and additional compensation for the use of such public rights of way. Videon takes the position that it is prepared to reimburse Edmonton for relevant administrative costs incurred by Edmonton for the access to and use by the Company of public rights of way but does not consider that Edmonton is legally entitled to any other compensation. The parties have been unable to reach agreement as to the proper charges for access to and use of public rights of way.

In March 2000, Edmonton issued a statement of claim for approximately \$7.6 million plus interest in respect of the provision of access to and use of rights of way since September 29, 1991, being the date Edmonton claims is the date that the last access agreement expired. The likelihood of any liability to Edmonton for the amount claimed is not determinable. The claim has not been formally served and, if served, management intends to vigorously defend against the claim.

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## VIDEON CABLESYSTEMS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

August 31, 2001

(dollar amounts in thousands, except share and per share data and except where indicated as millions)

## 18. SUPPLEMENTAL CASH FLOW INFORMATION

Additional disclosures with respect to the statements of cash flows are as follows:

- (i) Changes in non-cash working capital balances related to continuing operations include the following:

	Videon	Moffat (predecessor company)
	Six months ended August 31, 2001	Six months ended February 28, 2001
Accounts receivable	\$ 7,061	\$(4,869)
Inventories	(6,455)	
Income taxes recoverable	848	6,103
Prepaid expenses	2,615	(206)
Accounts payable and accrued liabilities	(14,626)	6,881
Unearned income	(5,361)	1,121
	<u>\$(15,918)</u>	<u>\$ 9,030</u>

- (ii) Interest and income taxes paid (recovered) and classified as operating activities are as follows:

	Videon	Moffat (predecessor company)
	Six months ended August 31, 2001	Six months ended February 28, 2001
Interest	\$ 11,301	\$ 13,235
Income taxes paid (recovered)	1,147	(4,160)

## 19. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation of the current year's financial statements.

**SCHEDULE B**

The pro forma condensed consolidated statement of income (loss) of Shaw for the year ended August 31, 2001, together with the compilation report thereon.

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**PRO FORMA CONDENSED**

**CONSOLIDATED STATEMENT OF INCOME (LOSS) OF  
SHAW COMMUNICATIONS INC.**

**Compilation Report**

To the Directors of

**Shaw Communications Inc.**

We have reviewed, as to compilation only, the accompanying pro forma condensed consolidated statement of income (loss) of Shaw Communications Inc. for the year ended August 31, 2001, prepared for inclusion in the accompanying short form base shelf prospectus of Shaw Communications Inc. In our opinion, the pro forma condensed consolidated statement of income (loss) has been properly compiled to give effect to the transactions and assumptions described in the notes thereto.

Calgary, Canada  
November 23, 2001

(Signed) ERNST & YOUNG LLP  
Chartered Accountants

**Comments for United States Readers on Differences Between  
Canadian and United States Reporting Standards**

The above opinion, provided solely pursuant to Canadian requirements, is expressed in accordance with standards of reporting generally accepted in Canada. Such standards contemplate the expression of an opinion with respect to compilation of pro forma financial statements. United States standards do not provide for the expression of an opinion on the compilation of pro forma financial statements. To report in conformity with United States standards on the reasonableness of the pro forma adjustments and their application to the pro forma financial statements would require an examination or review which would be substantially greater in scope than the review as to compilation only that we have conducted. Consequently, under United States standards, we would be unable to express any opinion with respect to the compilation of the accompanying unaudited pro forma condensed consolidated statement of income (loss).

Calgary, Canada  
November 23, 2001

(Signed) ERNST & YOUNG LLP  
Chartered Accountants

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## SHAW COMMUNICATIONS INC.

## PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (LOSS)

(unaudited)

	Shaw Year ended August 31, 2001	Moffat Six-month period ended February 28, 2001	Pro forma adjustments		Pro forma Year ended August 31, 2001
<b>Revenue</b>	\$ 1,571,953	\$ 110,368			\$ 1,682,321
Operating, general and administrative expenses	1,111,613	66,813			1,178,426
<b>Operating income before amortization</b>	460,340	43,555			503,895
Amortization	476,294	23,799	\$ 5,251	2(ii)(a)	505,344
Amortization of IRU revenue	(4,902)	(1,529)			(6,431)
<b>Operating income (loss)</b>	(11,052)	21,285	(5,251)		4,982
Interest	206,935	13,955	11,915	2(ii)(b)	232,805
	(217,987)	7,330	(17,166)		(227,823)
Write-down of investments	(163,454)				(163,454)
Loss on sale of investments	(106,716)	(21,636)			(128,352)
Dilution gain on issuance of stock by equity investee	4,525				4,525
Gain on sale of cable systems	66,595				66,595
Costs related to acquisition of Moffat		(18,653)	18,653	2(ii)(d)	
Debt restructuring costs	(8,590)				(8,590)
Other revenue (expense)	(665)		(357)	2(ii)(c)	(1,022)
<b>Income (loss) from continuing operations before income taxes</b>	(426,292)	(32,959)	1,130		(458,121)
Income tax expense (recovery)	(349,428)	(12,117)	(1,402)	2(ii)(a)	(362,024)
			(4,409)	2(ii)(b)	
			5,332	2(ii)(d)	
<b>Income (loss) from continuing operations before the following</b>	(76,864)	(20,842)	1,609		(96,097)
Equity loss on investees	(71,282)				(71,282)
Non-controlling interest	725				725
<b>Net income (loss) from continuing operations</b>	(147,421)	(20,842)	1,609		(166,654)
Net income from discontinued operations		5,046	(5,046)	2(ii)(e)	
<b>Net income (loss)</b>	\$ (147,421)	\$ (15,796)	\$ (3,437)		\$ (166,654)
<b>Earnings (loss) per share (after deducting entitlements on equity instruments included in share capital (note 2(iii)))</b>					
Net income (loss) from continuing operations	\$ (0.85)				\$ (0.90)
Net income from discontinued operations					

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Net income (loss)	\$ (0.85)	\$ (0.90)
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*See accompanying notes to unaudited pro forma condensed consolidated statement of income (loss)*

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**SHAW COMMUNICATIONS INC.**

**NOTES TO PRO FORMA CONDENSED CONSOLIDATED**

**STATEMENT OF INCOME (LOSS)**

**August 31, 2001**

(unaudited)

(thousands of Cdn. dollars, except share and per share amounts)

**1. BASIS OF PRESENTATION**

The unaudited pro forma condensed consolidated statement of income (loss) has been prepared by management in accordance with Canadian generally accepted accounting principles for inclusion in the accompanying short form base shelf prospectus of Shaw Communications Inc. This pro forma condensed consolidated statement of income (loss) is based on the historical financial statements of Shaw, Moffat Communications Limited (Moffat) and other information available to Shaw management.

The pro forma condensed consolidated statement of income (loss) has been prepared to give effect to Shaw's acquisition of Moffat as if the acquisition had occurred on September 1, 2000. This acquisition has been accounted for under the purchase method of accounting.

A pro forma condensed consolidated balance sheet has not been prepared as the acquisition of Moffat is reflected in the audited consolidated balance sheet of Shaw as at August 31, 2001 which is incorporated by reference in this short form base shelf prospectus. The results of operations of Moffat for the six-month period March 1, 2001 to August 31, 2001 are also included in the audited consolidated statement of income (loss) of Shaw for the year ended August 31, 2001.

In the opinion of management, this pro forma condensed consolidated statement of income (loss) contains all adjustments necessary for fair presentation. The pro forma condensed consolidated statement of income (loss) does not purport to represent what Shaw's results of operations would actually have been had this transaction actually occurred on such date or to project Shaw's results of operations for any future date or period. The pro forma condensed consolidated statement of income (loss) should be read in conjunction with the consolidated financial statements of Shaw for the year ended August 31, 2001 and the consolidated financial statements of Videon CableSystems Inc. (formerly Moffat) and Moffat for the six-month periods ended August 31, 2001 and February 28, 2001 respectively.

**2. PRO FORMA ADJUSTMENTS AND ASSUMPTIONS**

The pro forma adjustments are described in the following notes and are based upon available information and certain assumptions that management believes are reasonable. The pro forma condensed consolidated statement of income (loss) for the year ended August 31, 2001 gives effect to the acquisition of Moffat as if it had occurred effective September 1, 2000.

**(i) Acquisition of Moffat**

The acquisition of Moffat has been accounted for as a purchase and the assets acquired and liabilities assumed were recorded at their assigned fair values on March 1, 2001, the actual date of the acquisition. The total purchase price of acquiring 100% of Moffat was \$1,340,402, consisting of \$765,238 in Shaw Class B shares, \$465,365 in cash, \$105,138 in shares of Moffat acquired previously, and \$4,661 in accounts payable.

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## SHAW COMMUNICATIONS INC.

## NOTES TO PRO FORMA CONDENSED CONSOLIDATED

## STATEMENT OF INCOME (LOSS) (Continued)

August 31, 2001

(unaudited)

(thousands of Cdn. dollars, except share and per share amounts)

The excess of the purchase price over the book value of the net identifiable assets acquired has been allocated to assets and liabilities to record them at their respective fair values at March 1, 2001 as follows:

Assets held for sale	\$ 239,500
Investment	7
Capital assets	346,885
Deferred charges	1,814
Intangible assets	1,671,188
Working capital deficiency	(47,762)
Long-term debt	(372,000)
Indefeasible right of use	(89,200)
Fair value adjustment on debt assumed	(15,209)
Future income taxes	(394,821)
	<hr/>
Purchase price	\$ 1,340,402
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## (ii) Pro forma statement of income

Adjustments to the statement of income (loss) to reflect the Moffat acquisition as if it had occurred September 1, 2000 are as follows:

- (a) Amortization amounting to \$5,251 has been recorded on the increase in subscriber base and broadcast licenses recorded on consolidation between Shaw and Moffat determined using the increasing charge method with an interest rate of 4% over 40 years on subscriber base. Income taxes have been reduced by \$1,402 as a result of the additional amortization.
- (b) Interest expense has been increased by \$11,915 on the increase in long-term debt incurred on the Moffat acquisition reflected in this pro forma statement calculated at Shaw's average cost of borrowing. Income tax expense has been decreased by \$4,409 as a result of the increase in interest expense.
- (c) Dividends amounting to \$357 received by Shaw on its investment in Moffat during the period prior to acquisition have been eliminated.
- (d) Costs incurred by Moffat relating to the acquisition by Shaw amounting to \$18,653 have been eliminated to reflect the fact that these costs were taken into account in the purchase accounting by Shaw. Income taxes have been increased by \$5,332 as a result of this elimination of expenses.
- (e) Net income from discontinued operations of Moffat amounting to \$5,046 (the Canadian television business segment that consisted of WTN and CKY) has been eliminated as this segment was treated as assets held for sale on the acquisition of Moffat and the results of operations for the segment were excluded from net income.

## (iii) Pro forma earnings (loss) per share

The weighted average number of Shaw shares outstanding for purposes of calculating pro forma earnings (loss) per share have been increased to reflect the issuance of 23,007,524 Shaw Class B Non-Voting shares on the acquisition of Moffat as if such shares had been issued on September 1, 2000.





**Cdn\$350,000,000**

**Shaw Communications Inc.**

**7.5% Senior Notes due November 20, 2013**

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**PROSPECTUS SUPPLEMENT**

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**RBC Capital Markets**

**TD Securities**

**CIBC World Markets**

**Harris Nesbitt**

**Merrill Lynch & Co.**

**NBF Securities (USA)**

**Scotia Capital**

November 13, 2003

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