



Touché ! PHD point of view On the recent developments regarding TQS

Wednesday, December 19 2007

The latest news regarding TQS has already caused a lot of ink to flow and is fuelling much speculation.

Touché ! PHD would like to present our perspective regarding the impact of the events on the ongoing operations and the advertising campaigns of our clients.

First of all, it is important to keep in mind that TQS is not bankrupt but rather has filed for the bankruptcy protection law allowing them to make arrangements with their creditors.

As of Tuesday December 18th, RSM Ritcher, the accounting firm appointed by a judge, has financial control of TQS. The new structure will oversee a reorganisation, restructuring and renegotiation of their current contracts and agreements with suppliers and potentially with the CRTC. This event will enable TQS to be more attractive to potential buyers. Recently Air Canada went through a similar experience, while being under the same law for 24 months.

From an operations stand point, we are pursuing business as usual. TQS seems to be determined to broadcast the entire programming schedule for winter and spring 2008. Unless there is a shift in the current situation, TQS will certainly broadcast all commercial messages of their advertisers. Therefore, we are carrying on our media planning and buying as usual with TQS. We will adjust to the situation should programming changes arise.

According to TQS, the situation should evolve rapidly and there will be important developments as soon as early 2008. Furthermore, next April, all private broadcasters will submit a new request to the CRTC in order to review the cable operators licence fee towards the television broadcasters. This is a lifeline that could allow conventional broadcasters, including TQS, to stabilize their financial perspectives.

For advertisers, there is no financial risk since Touché ! PHD is a client, not a supplier. Moreover, no invoices from TQS are paid until TQS has provided proof of delivery.

In our opinion, TQS must remain active and competitive in the Quebec French television market. The balance between supply and demand depends on it. We remain convinced that an eventual disappearance of TQS and its commercial supply (and GRPs) would be harmful from a cultural and free press point of view as well as from a business perspective. As a consequence, we strongly support the maintaining of our current campaigns and the integration of TQS into our buying plans going into 2008. Moreover, we estimate that the probability of a network shutdown is weak.

We are following this situation closely and will keep you informed of any new developments.