CORUS ENTERTAINMENT

Moderator: John Cassaday
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1:00 p.m. CT

Operator: Good day and welcome to the Corus Entertainment Q3 Analyst and Investor conference call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Mr. John Cassaday, President and CEO. Please go ahead, sir.

John Cassaday: Thank you, operator. Good afternoon everyone. This is John. Welcome to Corus Entertainment's third quarter report and analyst conference call. Thank you for joining us today.

Before I read the standard cautionary statement, I'd like to remind everyone that there are a series of Power Point slides that accompany this call and the slides can be found on our Web site, www.corusent.com in the investor information section. So I'll now run through that standard cautionary statement.

This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1955. Some of these statements may involve risks and uncertainties. Actual results may be materially different from those contained in such forward-looking statements.

Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the company's filings with the U.S. Securities and Exchange Commission.

I would like to introduce you to the Corus Entertainment team that's available on this call, Tom Peddie, our Senior Vice President and Chief Financial Officer; Paul Robertson, President of Corus Television; John Hayes, President of Corus Radio; Doug Murphy, President of Nelvana Enterprises; and Gary Maavara, our General Counsel and also the gentleman responsible for our regulatory affairs.

If you turn to page three in the Power Point presentation, you'll see that consolidated revenues for the third quarter ended May 31, 2007, were 197.6 million, up nine percent from last year and up seven percent year to date.

On page four, consolidated segment profit can be seen as 63.5 million, up 10 percent from last year and 12 percent year to date. Net income for the quarter was 29.6 million or 70 cents per share compared to 23.2 million or 55 cents per share last year.

Our specialty television ad growth continues to be strong with a 12 percent increase versus last year, led by strong performances at W Network and CMT in particular. Subscriber revenues were up nine percent, and overall, our television division revenues and profits were both up nine percent this quarter versus year ago results.

In our radio division, revenues were up four percent and segment profit up 15 percent versus year ago. Revenue growth for the quarter was seen in all regions with above market performances in Calgary, Edmonton, and Toronto, and a growth rate by our Quebec station that is beginning to keep pace with market average growth.

And our content division continues to generate segment profit in line with our expectations. Before we turn the call over to questions, we would like to provide some commentary on a number of regulatory initiatives and articulate our position on what is needed to enable the broadcast system to continue to grow and prosper.

On page five, we give a general timeline of reports and proceedings that are of importance over the next year, and each of these deals with three fundamental issues. First of all, who is going to get broadcast licenses going forward?

Second, what are the obligations of those licensees? And third, what are the rules for (carriage) for these licensed services? In broad terms, we have made our position clear on what we think is needed from a regulatory standpoint to insure growth and prosperity in our sector, and if you'll turn to page six, I would simply review with you our principal points of view.

First of all, on the slide on page six, you'll see a reference to our belief that we need to allow Canadians to experiment. Recently we had experience with DAB, Digital Audio Broadcasting, where we had proposed that Canadian radio broadcasters be allowed to use the digital spectrum without any content regulations or format restrictions, but that we simply be allowed to experiment to provide the rationale for consumers to go out and buy digital receivers.

We seem to have missed that opportunity and it's then, in all likelihood now, we will develop or get in line with the U.S. on their (Ibach) digital approach, but I think even in the (Ibach) world, we're going to need to be very experimental to insure that Canadians and Canadian voices are heard in this new media environment.

Recently, we proposed that Canadian program expenditures be allowed against all Web and new media initiatives. Currently, these Canadian program expenditures are subject to specific definitions as to where the money can be spent.

We believe that the new initiatives in the Web and new media are important for Canadian broadcasters to participate in, and use of the CPE funds would be a huge advantage to us in that regard. The second point that we will be making during these proceedings is that we as a country need to embrace the merits of fostering a Canadian owned, globally competitive industry and there are really two aspects to this view.

First of all, we think our regulators and government need to take an external focus. We are competing against global players, both for content and for capital, and we need to insure that the rules that we put in place allow us to be globally competitive, not just competitive against our internal or domestic competition.

We also have taken the view that we do not believe foreign ownership is advisable within the broadcast sector. There may be good rationale for foreign ownership within cable and teleco, but within broadcasting, we believe that due to the fact that there is no reciprocal arrangement with U.S. broadcasters, i.e., Canadians are not allowed to own U.S. broadcast networks or radio stations, that we should not give that up in any negotiations with the U.S.

And also quite frankly, as you all know, we do not have the same capital requirements that other parts of our sector have and as a result, the need for capital is not nearly as great within the broadcast sector as it is in other parts of our industry.

And I guess the third point that we'd make on Canadian-owned globally competitive industry is the importance we think of retaining (Janre) exclusivity, at least as it relates to foreign competition. There is a quid pro quo for (genre) exclusivity right now and that is a commitment to Canadian content.

Our belief is that allowing foreign signals to come into Canada without that quid pro quo is in effect dumping, and it's something that we would resist with all our energies.

The third point on that page is to increase the probability of success by encouraging the creation of larger enterprises, and quite simply, the view that we will take to the regulator in this regard is that we will need continued access to IP in the future.

And to insure that we can continue to get access to that intellectual property, we are going to have to be of significant size to get the attention of the studios and significant size to insure that they do not look at alternate ways of getting their programming and intellectual property exposed to Canadians.

The fourth point that we will be making is that we believe we need to develop as a country an industrial strategy for the creation of content, replacing the regionally distributed independent production system that exists today. We believe that to achieve this, we need to encourage the creation of vertically integrated operators like Corus.

Currently, we are the only company that is vertically integrated and as a result of the fact that we have both content and the ability to broadcast within our system, we are precluded from accessing certain funds and we think quite frankly, because of our economic wherewithal, there should in fact be no limitations to our ability to create the best and most exportable content that is possible.

We recently proposed in a panel discussion the possibility of the regulator exploring a portfolio approach to Canadian program expenditures, so for a company like ours that is generating Canadian program expenditure commitments across a number of brands, that we could allocate those expenditures and put them against the sectors, segments or particular programs that we think have the most strategic value for us.

And for our country as opposed to the current approach, which forces us to spend these monies in a vertical fashion. In other words, funds generated by our kids network go against kids programming, funds generated by our women's network go against women's programming, give us all as broadcasters the ability to deploy those funds in the most strategically advantageous way.

And then finally, we will encourage the regulators to recognize the success as what will lead to a stronger system, not the current system of progressive fees, conditions and tariffs.

Our view is that we will do more and better work if we are more profitable and better positioned for the future, and we no longer need to be taxed to insure that we do the right thing, to insure the sustainability of our business.

So that I know is something that's on a lot of your minds because there is a lot of regulatory activity under way, so hopefully that will give you a sense of some of our thinking on this.

And we now turn it over to you with any questions that you may have.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, press star one on your touch-tone phone. To withdraw your question, press the pound sign. If you use a speakerphone, lift your handset before entering your request. Please stand by for your first question.

Your first question comes from Adam Shine, National Bank Financial. Please go ahead.

Adam Shine: Hi, thanks a lot, good afternoon. I just wanted to maybe – I'll hit you with this series of oh, maybe one at a time, John. Starting with the regulatory filings or reviews, you know, I read through the documents.

They're talking about or so it seems a slimming down of the regulations and yet there doesn't seem to be any indication of a contraction in related regulatory fees. And we still have, you know, this outstanding (part two) license fee issue just as an example, which has yet to be resolved. Can you just sort of talk to that dynamic?

Have I missed something in the filings to suggest that maybe the regulator will be looking at those fees?

John Cassaday: No, I don't think you missed anything and quite frankly, I don’t think they're contemplating that at this point in time. I think the first step is to reduce the number of items that are regulated, the number of businesses that are regulated and only by doing that, well, then they would be allowed to reduce the size of the bureaucracy.

And I think the question is, it's a chicken and egg situation obviously. The question is what resources do we need in the short term to even come to grips with how we want to regulate the industry going forward.

So we may find, in fact, I suspect we will, a request from the regulator to help us help them actually finance bringing some new people in that can help them deal with these complicated issues, with the goal being ultimately to be – to reduce the amount of regulation and the cost of regulating our industry.

Adam Shine: And just (going these) exclusivity, I mean, I agree and I'm not surprised by your comments, you know, in terms of you're not for it for foreigners or, you know, you're not for the regulator sort of licensing new foreign services that compete directly with existing services.

But what about from a Canadian perspective? I mean, there is that issue that the CRTC may entirely abolish ((inaudible)) exclusivity for analogues and the category one (diginets). Are you going to oppose that?

John Cassaday: Our view is that Canadian competition is fine and will improve the system. What we're simply opposed to is operators that can come into Canada without the same Canadian content obligations and effectively dump American product into our marketplace, as I said, without the commensurate responsibilities.

So if we can't defend our position on W or CMT or YTV from Canadian competition, shame on us. We're all for that.

Adam Shine: OK, super. And so turning to the Q3 results, if I could just look at the radio results, you know, you indicate in the press release that the Quebec results are sort of now tracking to market.

Is that sort of more of a post Q3 dynamic because it would certainly appear that, you know, you underperformed the industry average for radio growth in Canada during Q3? Would Quebec be the culprit, at least for the Q3 results?

John Cassaday: Well, I think the key thing is and what we were trying to point to is just momentum. There's a lot of good things happening up there, organizational changes. We're particularly pleased with the decision to form a rep shop in Quebec with Radio Nord and (Cojuko).

One of the single biggest opportunities that we have there is to narrow the gap between our share of listening and our share of revenue amongst national advertisers in Quebec, and we're confident that the collective strength of (Cojuko), Corus and Radio Nord will contribute to our success in that regard.

John, I don't know if you have any additional comments that you'd like to make about Quebec at this time?

John Hayes: Yes, there are two. One is that as you know, Adam, the (tram) metric applies only to the top markets in Canada and I can tell you that in Q3, our stations in Quebec City and our stations in Montreal French paste the growth of those marketplaces. So we're seeing – we're seeing good growth there.

We're right on plan and we think that things will continue to improve. As you could appreciate with 23 different operating units within the radio division, you're always in a situation where some are up and some are down. So I'm happy to report though net/net that this was not a situation where Quebec was the culprit as you suggested.

Adam Shine: OK. And maybe one last one before I give it up, but just maybe for Tom. In terms of the public benefits, you know, that sort of still reside on the cash flow statement, can you remind me when do those disappear? Do they disappear at the end of '08?

Tom Peddie: Yes, that's correct.

Adam Shine: OK, great, thanks a lot.

John Cassaday: Thanks, Adam.

Tom Peddie: Now, Adam, it's Tom; just we will have additional benefits that will be added because of the (CanWest) transaction as an example.

Adam Shine: Yes, the far more, far less material than what we've seen previously.

Tom Peddie: That's correct.

Adam Shine: Yes, OK, thank you.

Operator: Thank you. Your next question comes from Andrew Mitchell, Scotia Capital. Please go ahead.

Andrew Mitchell: Thanks, good afternoon. I also have a few questions on the operating side and maybe I'll just do the same, give them to you one at a time.

First, I was interested in Paul's perspective on specialty TV and your up front contracts for 2008, if you can talk about the level of CPM growth that you think you've negotiated or give us any sense for the tone you're seeing for Corus relative to the market as well?

Paul Robertson: Sure, sure, Andrew. It's Paul responding to that. If we look forward at '08 and especially television, it seems to be shaping up to be a pretty normal growth year. In terms of our performance, we've been able to finalize arrangements with all of the major customers on terms that we were happy with.

I'd say from an overall standpoint, we probably took about the same volume as we did last year and that the increase in CPM were in the sort of mid single digits. So overall, a pretty gratifying – it's much similar to last year I'd say.

Andrew Mitchell: OK, great. And as well, I just had a couple on pay TV for you as well. I just wondered on the extra promotional expenses you incurred this quarter, is that also going to be a feature at all in the Q4 results or is it going to end there?

And then sticking with pay, do you think (Shaw's) decision to roll out boxes capable of delivering (SBOD) will enhance your subscriber growth or do you stick with the PWC forecast you put forward last quarter in the package?

Paul Robertson: As to your first point ...

Andrew Mitchell: Just on the extra promotional expenses you had for pay in the third ...

Paul Robertson: Yes, thanks, Andrew. It's probably again ...

Andrew Mitchell: Yes.

Paul Robertson: The promotion was meant to be split between the third quarter and the fourth quarter, so there will be some residual marketing impact in Q4.

Andrew Mitchell: OK.

Paul Robertson: And with respect to the impact of those, just given the lag effect of when the – the (BDU's) report, we really haven't seen the lift that we were expecting to some from the Sopranos and entourage being premiered there. So we're still kind of looking for the revenue build that will come from that.

We don't see any significant change in the going forward projection on the – on the base sub side given that the – more accessibility of ((inaudible)) (SBOD).

Andrew Mitchell: OK. Thanks a lot, Paul, and then just on the radio side, just two questions there. I wondered, John, whether you could give us a better sense on what was behind the operating cost reduction in Q3 year over year, whether there was any sustainability on that? I assume Quebec was maybe helpful on that front.

And the second question was just on the local ad growth in radio. It's been relatively modest recently across the industry and I just wondered if you could talk about the tone you're seeing in the local ad markets? Thanks.

John Hayes: Thanks, Andrew, it's John. Our expense reduction was driven by keeping fixed costs down year on year and I think that to some degree, that is sustainable going forward, not that we'll be able to reduce costs even further next year, but we've got a lower base from which to begin.

From the local ad growth standpoint, you know, it's interesting, national has been quite buoyant this year as you know. In fact, the national – the percentage of national in the – in the Corus markets has moved from 25 percent last year to 26.5 percent this year on a company-wide basis.

And on the local side, you're correct to point out that local ad growth has been a little less aggressive this year than last. Frankly, we don't have any idea as to why this is. The business on the retail side in our markets continues to be good. All of the sectors that radio relies on for ad dollars are having a good year.

Automotive was a surprise, they're having a good year. But you know, local retail has been – has been down a little bit. We don't know if there is a – if there is a deflection of ad spend to other media or Internet, we don't think so. We just think that the business is good and that retailers are a little more conservative with their ad spend.

We do get the feeling going forward that the national momentum will continue. There has been plenty of anecdotal evidence in the (top-to-top) meetings that we have with our good friends at the major agencies that would indicate that radio is expected to grow in the five to seven percent area next year. So I hope that covers what you wanted.

Andrew Mitchell: Absolutely. Thanks, that covers all my questions. Thanks very much.

Operator: Thank you. Your next question comes from Jason Jacobson, GMP Securities. Please go ahead.

Jason Jacobson: Hi, yes, just one more radio question actually. Last quarter, you had broken out the performance of the Quebec station, so I was just wondering if you could talk about the margins there, whether they continued in that positive EBITDA margin trend.

And then I also wanted to ask you a little bit about the outlook for specialty television into next year, and actually towards the end of this year, you were talking around 12 to 12.5 percent market growth. And I'm wondering if that is still the forecast?

John Hayes: It's John Hayes. First of all, related to Quebec, as we said on the last call, we're not going to be talking about the profitability of specific regions going forward, but I can tell you this, we've got very, very positive momentum, both in the regions as well as the larger markets of Quebec City and Montreal.

Particularly now that we have comfort and confidence that we will be able to make the pay in to FM (Flick) move in the fourth quarter, at our stations in (Sherbrook) and (Shacutamy, Gotno) and (Coivithier). We've already lit up the new signal at CFEL from (Momeni) that now covers the greater part of Quebec City.

The reaction on the street to these moves has been very, very positive. I would also point out that as I said to an earlier questioner, that we've got good market momentum in Montreal French and in Quebec City as to (tram) pulling ahead of the marketplace growth.

And finally, going forward, the announcement that we made about a month ago regarding the creation of Group Force (Radjo), which is a rep shop that is owned by Corus and (Cojuko), and it includes representation of the Radio Nord stations in the Quebec region as well. So lots of good things happening in Quebec.

John Cassaday: Good. In terms of the outlook, Jason, for '08, I would just remind you that we're going to host our investor day on September 26th, and unless there is something really pressing and it can wait until the 26th, what we'd like to do then is do a really good job on laying out what specifically our outlook is for specialty.

Helping you understand specifically how we're going to deal with the local ad sales challenges on radio and what our program is there, give you a little bit more perspective on our insights into the regulatory process going forward.

So as we try to do usually, I think you'll find that a pretty complete presentation and hopefully give you a good sense of what our prospects are for fiscal '08 and beyond.

Jason Jacobson: OK, great. And if I could just ask one on the regulatory side, I know you were in opposition to the number of ad minutes being increased on the conventional side. Now that the CRTC is talking about that for the specialty channels, I was wondering what your view is on that?

John Cassaday: Well, it might sound like a bit of a contradiction, but I'd be fine with that. Our biggest concern was that by increasing the ad limits on the conventional television network, the only beneficiary in the system was likely to be the two networks having the preponderance of top 10 shows.

I don't think anyone is looking for more ad avails in the shows that represent the middling properties in our schedules. They're simply looking for the ad avails in the top performing shows, the Survivors and the ER's and, you know, the Shark's and those are the shows that were going to benefit.

And our concern as a company was not really related to the impact they would have on Corus, because I think given our strength in Kids, we're largely – we're quite different from these guys. Our concern was that it would impact the industry in a negative way, particularly the CBC and some of the smaller over-the-air television networks and stations.

And we were just making the commission mindful of the fact that it's likely not to have a broad a based positive impact as that they might have thought, but rather that the positive impact would be restricted to perhaps 10, maybe even only five shows in the schedule and just essentially compression of inventory yield on the balance of the schedules.

They didn't – they obviously didn't subscribe to that theory. They approved it and I suspect that they will take the same approach on specialty and leave it up to the operators as we do in radio to put the appropriate number of commercial minutes into the shows to preserve our audiences.

Jason Jacobson: OK, so in light of that then, do you have any sense at that point as to what the impact might be for Corus or is that also a sort of wait and see on the investor day?

John Cassaday: Well, I think that we would certainly take advantage of whatever opportunities we think are available to us. It might be – I think it's highly unlikely we would ever do anything in the preschool area.

We've not advertised to preschool children, and I don't think anything that the commission did in terms of relaxing regulatory ad rules would change our view on that.

And as it relates to W and YTV, I think we would simply look at that on a market-by-market basis and maybe, you know, simply focus on specific day parts or specific shows or even specific times of the year when we had excessive demand on our inventory.

Jason Jacobson: OK, thank you.

Operator: Your next question comes from Scott Cuthbertson, TD Newcrest, please go ahead.

Scott Cuthbertson: Yes, good afternoon.

John Cassaday: Hi, Scott.

Scott Cuthbertson: Hi there, a couple of questions. Just on the television costs, they were up about 11 percent I guess in the quarter. I just wondered if you could give a bit more color on this and what we could expect for Q4 and fiscal '08 on...

John Cassaday: OK, well, Paul can give you some elaboration on this, but I think our costs in TV are up largely as a result of program amortization. You know that we invested heavily to protect our position in pay TV.

We've also been working very hard to improve our ratings at W and YTV and there is a result in impact which regrettably is somewhat ahead of the positive results we expect to see from ratings and converting those ratings into revenue. But the simple answer to your question is I think you could expect to see that trend continue into Q4 and throughout fiscal '08.

Our program costs are going to be higher than they've been historically because of competitive factors, and we're going to have to look to adjust our costs in other ways to insure that we maintain our margins.

Scott Cuthbertson: Nothing wrong with 40 plus percent anyway, but I just noticed it in the quarter.

John Cassaday: Nice of you to point that out, thank you. Paul, I don't know if you want to add anything to...

Paul Armstrong: Well, I think John has got it right on. When we stripped it down to first principals, we believe that we need to drive the ratings to drive the revenue and therefore, you've got to find efficiencies somewhere else. So we need to go out there and get the best program ratings drivers we can and that's what we've been doing.

We needed to protect our position on pay, so that's what we've been doing. So you know, back to first principals, we'll just continue to drive on the program and the ratings front and look for efficiencies in all other areas.

You saw in last year's plan, the consolidation of Edmonson into Jefferson, an effort to save ourselves those operating costs. We'll continue to do anything logical to get those operating expenses down.

Scott Cuthbertson: Sure, it makes sense. Now you talk about, you know, sort of a bit of a lag. When do you think you'll see the top line pick up in response to these investments?

John Cassaday: I think the biggest single win comes from the subscriber side on Movie Central and again, we'll probably see in the next couple of months or so whether or not the efforts that we put into marketing are going to pay off.

And I think that – I think it was Andrew asked the question earlier about the impact of (SBOD), one of the real positive things about (SBOD) is its ability to reduce churn.

So we're very excited about (Shaw) transitioning their system and their set top boxes to enable basically converter controlled access to (SBOD) because we think that the hard-earned subscriber gains that we get, we'll be able to hold onto more readily with (SBOD).

So unfortunately, I don't have a number yet to give you any indication of how we're growing, but it's month to month that we get these reports and we're expecting that we will continue to see good growth on the pay side.

Paul Robertson: Hey Scott, it's Paul again. I'd just add on the specialty television front, we really have enjoyed some really strong advertising growth numbers on W and CMT in the third quarter, you know, W up about 21, CMT up about 15.

So in our portfolio, we have the kids side which doesn't grow as hardly as the adult side, but you can really see the result of the programming investment driving, you know, terrific revenues in specialty.

In fact, if you compared us to market for the first nine months of the year, the market was up about 12 and we were up about 13, so we're feeling pretty comfortable. We're helping to lead that market growth.

Scott Cuthbertson: That's encouraging. Moving to radio, I just wondered about this ((inaudible)) on channel, and John, you alluded to the fact that we kind of – Canada missed the bus on (DAB) and now we're going towards (Ibach). What's the timeline on that?

How do you see that unfolding? What do you think the impact is going to be on you guys as a major radio player?

John Hayes: Scott, it's John Hayes. First of all, you know, I don't want to be flipped and say this is going to take years and cost millions of lives before it happens, but I think that it is going to take a significant amount of time for a couple of reasons.

Number one, you need all the broadcasters to come together and agree on a technical regime. Number two, you need to coordinate that technical regime in this country with the United States. Number three, you need to entice the equipment manufacturers to view Canada as a viable marketplace.

And number four, you need to give the consumers something that is going to entice them to go out and purchase a new piece of equipment at high cost. And that stakes back to the original point that John made about (VAB), which is the regulations as to content.

So I can't predict the outcome of any of these items, but I can predict that it will take a long time for this to play out.

Scott Cuthbertson: OK. Would you characterize that as sort of, you know, three or four years or longer than that, John?

John Hayes: Yes, I would say three to five years before it even gets started.

Scott Cuthbertson: OK. And just two quick ones if I may, just Tom, I just had a little trouble reconciling your interest cost (by plus or to) 5.5 percent average rate I think you said it to your average debt. I get more like 8.5 million to 9.1.

Is there anything else in there or was it just due to the timing of draw downs in the quarter that pushed that line item up to 9.1?

Tom Peddie: I think that's a safe comment. We also had some additional bank charges, standby fees, et cetera.

Scott Cuthbertson: OK. And last but not least, can you tell me how many episodes you delivered in the quarter and so far this year as well as how many episodes you expect to deliver next year?

Doug Murphy: I think – Scott, it's Doug here, Doug Murphy. I think since we've integrated the studio, we're not typically kind of offering that information on a regular basis for episode delivery because it's no longer entirely relevant to revenue equation because we net the – we net the investment in the film (ads) so that everybody sells it internationally in Canada. We don't recognize that revenue.

Scott Cuthbertson: OK, but is there no major change in the ((inaudible)) production point that you guys are ...

John Cassaday: No, no, we're continuing to produce a rate of about $50 million a year in new content creation costs.

Scott Cuthbertson: Great, thanks very much.

Operator: Thank you. Your next question comes from Tim Casey, BMO. Please go ahead.

Tim Casey: Thanks. John, could you talk to us a little bit about how – did you look at the City stations when they became available from the CTV (Chum) deal and do you think that their acquisition by (Rogers) will impact your businesses in any tangible way? It doesn't seem there would be a direct impact, but I'm just curious on that.

And second, back to the regulatory side, I wonder if you or Gary could put the Dunbar/LeBlanc report in some sort of context? There are a number of hearings coming up in the fall and then in, you know, specialty hearings next year. Can you put – how should we approach the Dunbar/LeBlanc report from our perspective? Thanks.

John Cassaday: OK, thanks, Tim. As it relates to City, no, we did not look at the City stations. That transaction happened quite quickly. We did have a look at the A channel assets when they were available and we decided that that was not of strategic importance to us at this particular point in time.

But I cannot see any impact on us with (Rogers) owning City that we didn't experience when the City franchise was owned by the Waters family. I just can't see how it would have any change in the competitive environment at all.

I guess the one interesting thing that we have yet to see is what if any impact will – the decision by (Rogers) to buy City have on their continued ownership of Omni and that will be decided by the regulator in their conversations with (Rogers).

But we just don't see anything on the City side alone. Gary Maavara will give you feedback on the regulatory question.

Gary Maavara: Hi, Tim, it's Gary. On the LeBlanc/Dunbar review, their mandate is basically to look at all the regulations and to test whether they still meet the original intentions that they were set up for and whether they're still valid.

They're supposed to report by the end of the summer or sometime say mid September I would think at the latest and they will be made public, their findings and that will in a sense become part of the discussion piece that will go into the overall regulatory review on the BDU regs and the discretionary regs.

So we're hoping to see something from them by the end of summer. The mandate they have is pretty broad, so not sure exactly where they're going to end up.

Tim Casey: That's helpful, thanks, Gary.

Gary Maavara: You're welcome.

Operator: Thank you. Your next question comes from David McFadden, Coremark Securities. Please go ahead.

David McFadden: Yes, hi. I've got a few questions. I'll just start with radio. Could you give us what the Quebec radio market growth was in the quarter?

John Hayes: Let's see. The market growth in Quebec City was 6.8 percent. Montreal French was 2.8 percent. Montreal English was 2.9 percent.

David McFadden: OK, thank you. And so since the creation of group force radio, can you describe the impact to your business? Has it been material in a positive way yet or is it too early to say?

John Hayes: Too early to say. It's been less than 30 days.

David McFadden: OK.

John Hayes: But tremendous excitement.

David McFadden: OK and then just a question on Nelvana with respect to the (CUBO) network. I know in the past you were talking with Comcast, maybe some of the other operators in the ((inaudible)) for distribution. Can you give us an update on that? Has there been any agreements that concluded?

Doug Murphy: David, hi, it's Doug here. There have been a number of discussions and we're confident that we will be announcing some agreements in the near future, but we're not at this point announcing anything publicly.

But what I can tell you is that we have now met with a lot of the MSO's in the U.S. that in many cases, they're interested in the positioning of the (CUBO) network and that there's lot of ongoing discussions about how we start to cobble together a larger footprint.

John Cassaday: David, because it's a partnership, we're a little bit limited in terms of what we can say. We can't get ahead of the other partners, but I do know there has been some progress on the distribution side and there will be an announcement made on that I'm sure fairly soon. I think they just want to solidify a few things before they make any noise on this front.

David McFadden: OK. And would those agreements entail subscription revenue for you?

John Cassaday: Yes. They do include subscriber fees for the – for (CUBO), the entity, as opposed to anything directly to us. We have a 12 percent interest in that network.

David McFadden: OK. OK, great, thank you.

Operator: Thank you. Your next question comes from Bob Beck, CIBC World Markets. Please go ahead.

Bob Beck: All right, thanks very much. Just on the television side, in particular looking at the subscriber growth, another strong quarter there, Paul, do you have any commentary on how long you think we can sort of see these robust growth levels on subscribers?

I think most of us would have thought that we'd see a bit more maturity appearing by now, but it continued to put up, you know, better than mid single digit growth on this side. So just any thoughts you have as far as the prospect of this continued growth and your thoughts on that?

Paul Robertson: Sure, Bob. It's Paul. Their main driver in that has been the pay side, which has been really spectacular and we've kept up a kind of nine percent growth rate compared to year ago.

And even in the most recent quarter, we added 17,000 pay subs, so it's, you know, just given the size of it, it's been a major driver. We've been able to keep the rest of the business in the growth, but it's really been the pay that's been most powerful. So I guess, you know, the question is do we see that kind of growth rate continuing into next year?

And as John said, we'll talk more about that at investor day, but suffice it to say we made such strong commitments with the studios, including long-term arrangements with HBO and Showtime, that of course those studios have an intense interest in keeping the hits coming.

We've seen the end of Sopranos and HBO has got a lot of additional offerings out there to help build subscribers, so you know, we're a bit in their hands in terms of what hits in the program roster are coming. But you know, we're encouraged by what we're seeing coming out of HBO.

Bob Beck: That's helpful, thanks. Just two more other questions if I may still, for Tom. The corporate cost side, I guess the other G&A, I think that the (notes) mentioned IT spending kind of bumping that up ahead of the pace.

Is that – is there still some spending on that side to go and – or what can we look at, Tom, for sort of a longer-term take on other G&A?

Tom Peddie: I think what you're really looking at as G&A this year is probably being in the 24 to 25 million range, and probably a similar number next year.

Bob Beck: OK, thank you. And just lastly, I guess there's the talk of the building of the new headquarters. I know it's a few years off still. I just want to get a sense as to how material on the cap ex side that would be if you guys do proceed with the new building?

Tom Peddie: This is Tom. There will be some significant capital expenditures on that particular facility and they will be spread out over 2009 and 2010. It would be our intent to fund a lot of it out of our regular capital expenditure requirements.

As you know, we spend anywhere from 20 to $25 million a year, so we'll cut back a bit in the (Trunnel) area over the next year or so. It ultimately depends on I guess ultimately how we want to configure the building itself, but it could be fairly significant.

Bob Beck: You're not in a position to give us a ballpark on fairly significant?

Tom Peddie: No, actually I can't yet. We just haven't completely scoped it out yet.

Bob Beck: OK, all right, thank you.

Operator: Thank you. Your next question comes from Drew McReynolds, RBC Capital Markets. Please go ahead.

Drew McReynolds: Thanks very much. Good afternoon, just one final question here, perhaps for John. Just on the conventional television side, obviously revenue is down this quarter.

Could you comment on the performance of that business overall, as well as just in light of you looking at the A channels, what your appetite here is on the conventional television side and where, you know, these assets strategically fit looking it for three years, maybe four or five years?

John Cassaday: Well, they are a relatively modest part of our portfolio, but they are quite profitable. I would say they are amongst the most profitable local TV stations in the country. Getting good growth out of them is a more difficult challenge because they are in relatively small markets.

So from a strategic point of view, what we would be looking for over the next couple of years is a long-term relationship with a partner, whether it's the CBC or the A channel or City or Global, but the right group to affiliate with so that we can get access to terrific programming.

And continue to generate the profit to serve those communities and we serve them very well with, you know, outstanding and, you know, highly watched local newscasts. We provide a valuable service. We're the only television station in those centers, so we know we're valued in the communities, but do you need to think about where we go in the future?

And we're certainly having conversations with everybody about what the right configuration is. We have decided from a strategic point of view that our priority, both in terms of major M&A and in terms of tuck-ins, is to look at the specialty and pay segment as opposed to the conventional and it would only be if we saw something dramatically different than the incumbents that we would change our view on that.

But we like the fact that there are two streams of revenue. In specialty, we like the fact that there is such a significant growth opportunity in terms of ad sales going forward, and of course, the conventional business offers neither of those.

It's still a decent business, but it's not where we would choose to put our money given the opportunity to go in another direction.

Drew McReynolds: OK, thank you, John.

Operator: Thank you. Your next question comes from Eric Mencke. Please go ahead.

Eric Mencke: Thanks very much. Actually, just on the regulatory front, you just brought it up now on the subscriber fees. With all these regulatory reviews, do you think there's any risk at some point that those could actually be – with a more open market, are you guys being pushed similar to the conventional with strictly just on advertising?

John Cassaday: I don't think so, Eric. I think that the system and its obligations are all linked to a business model that includes two streams of revenue. Many of the fees that we have as operators are in fact regulated by the CRTC.

They're not negotiated, so it would be a radical departure from the current system and I think if they began to take that brick out of the wall, it would cause them to have to look at the entire infrastructure for the production of Canadian content.

And I think this is one segment that we will point to as being not broken, as making a significant contribution to the Canadian system and that the goal should be to nurture and build it through some of the approaches that we've recommended like rewarding success as opposed to punishing it with incremental taxes.

Eric Mencke: OK, fair enough. Next question, have you guys thought about – with all the Sarbanes-Oxley and the costs associated with being U.S. listed, have you guys thought anything about delisting your U.S. ticker?

John Cassaday: We continue to look at that on an ongoing basis. There is a significant incremental cost to it. We are certainly not at all concerned with the steps that we were required to take as part of SOX.

We think it made us a better company, but it is – you know, we do not trade heavily on the New York Stock Exchange and we do look at it as an expense that we could reduce without impacting our business or compromising the interest of our shareholders.

But there are specific impediments to us doing that, specifically the number of U.S. shareholders that we have and we are over that threshold. And delisting without – it just – it's just very difficult for us to do at this particular point in time I guess is a simple answer to the question, but we would do it if we – or we certainly would consider doing it if we had the opportunity.

Eric Mencke: OK, and then on the merchandise agreements, have you guys signed any over the last quarter?

Doug Murphy: We've had a lot of activity, most recently – it's Doug speaking. We've had the principal properties that are driving revenue at the moment are the Fairly Oddparents, Backyardigans, two classic properties, Franklin and Babar in France, and then Di-Gata Defenders.

Those are – those round out kind of the bigger, newer opportunities that we're proceeding with.

Eric Mencke: OK. And then finally, just on the dividend, a question for Tom, is it the guidance still 50 percent of net income, 70 percent of free cash flow of cash being returned to shareholders?

Tom Peddie: I think probably, Eric, the way to look at it is focusing on returning 70 percent of our free cash flow to our shareholders in the form of dividends and share repurchase and the split is in kind of two-thirds to dividend and one-third to share repurchase.

We will continue to look at the dividend on a regular basis. As you know, we increased the dividend by about 16 percent in the past year, and we will look at the dividend again as we work our way through fiscal 2008.

Eric Mencke: OK, thanks very much, guys.

John Cassaday: If there are no other questions, thank you very much for your time today and as is our custom, we're certainly available in the next few days to answer any follow-up questions that you may have. So thanks and bye for now.

Operator: Ladies and gentlemen, this concludes the conference call for today. You may now disconnect your line and have a great day.

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