

UNOFFICIAL TRANSLATION

CANADA

PROVINCE OF QUEBEC
CITY OF MONTREAL

No.: 500-11-032130-078

SUPERIOR COURT

(Sitting as the court designated under the *Companies'*
Creditors Arrangement Act)

IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. (1985), c. C-36 WITH
RESPECT TO:

TQS Inc., a legal person duly incorporated under Part IA of the Companies Act, having its head office at 612 Saint-Jacques St., Suite 100, City of Montreal, Province of Quebec, H3C 5R1;

- and -

3947424 Canada Inc., a legal person duly incorporated under the Canada Business Corporations Act, having its head office at 5 Place Ville-Marie, Suite 915, City of Montreal, Province of Quebec, H3B 2G2;

- and -

TQS Ventes et Marketing Inc., a legal person duly incorporated under Part IA of the Companies Act, having its head office at 612 Saint-Jacques St., City of Montreal, Province of Quebec, H3C 5R1;

- and -

Les Productions Carrefour II Inc., a legal person duly incorporated under Part IA of the Companies Act, having its head office at 612 Saint-Jacques St., City of Montreal, Province of Quebec, H3C 5R1;

- and -

Les Productions Point-Final Inc., a legal person duly incorporated under Part IA of the Companies Act, having its head office at 612 Saint-Jacques St., City of Montreal, Province of Quebec, H3C 5R1;

- and -

Les Productions Point-Final II Inc., a legal person duly incorporated under Part IA of the Companies Act, having its head office at 612 Saint-Jacques St., City of Montreal, Province of Quebec, H3C 5R1;

- and -

Les Productions Point-Final III Inc., a legal person duly incorporated under Part IA of the Companies Act, having its head office at 612 Saint-Jacques St., Suite 100, City of Montreal, Province of Quebec, H3C 5R1;

Debtors

and

RSM RICHTER INC., a duly incorporated legal person having its principal place of business at 2 Place Alexis-Nihon, in the city of Montreal, H3Z 3C2;

Monitor

**FIFTH REPORT OF THE COURT-APPOINTED MONITOR
ON THE STATE OF THE AFFAIRS OF THE DEBTORS**

1. On December 18, 2007, TQS Inc. and its affiliates ("TQS Group" or "Company") filed a motion in the Quebec Superior Court (the "Court") asking for the issuance of an Initial Order in accordance with the provisions of the *Companies' Creditors Arrangement Act*, R.S.C. (1985), c. 36 ("CCAA"). In this regard, the Honourable Pierre Journet, S.C.J., issued the order in question and appointed RSM Richter Inc. as monitor ("Monitor").
2. On January 16, 2008, TQS Group filed a motion in Court to extend the time limit for filing a Plan of Arrangement and to extend the suspension of proceedings, as provided for in the Initial Order. In this regard, the Honourable Pierre Journet, S.C.J., granted an extension until February 29, 2008.
3. On January 30, 2008, TQS Group filed in Court a motion asking for approval of a sale process. In this regard, the Honourable Pierre Journet, S.C.J., rendered an order approving a sale process ("Sale Process").

4. On February 21, 2008, TQS Group filed a motion in Court to extend the time limit for filing a Plan of Arrangement and to extend the suspension of proceedings, as provided for in the Initial Order. In this regard, the Honourable Pierre Journet, S.C.J., granted an extension until March 17, 2008.
5. On March 10, 2008, TQS Group filed a motion in Court to amend a schedule and other orders in connection with the Sale Process. In this regard, the Honourable Pierre Journet, S.C.J., granted the said motion, amended the schedule and approved the offer by Remstar Corporation ("Remstar") accepted by the Board of Directors of 3947424 Canada Inc. and its shareholders on March 5, 2008.
6. On March 17, 2008, TQS Group filed a motion in Court to amend the Initial Order, approve interim financing, extend the deadline and amend the schedule. In this regard, the Honourable Pierre Journet, S.C.J., granted an extension until May 16, 2008.
7. On May 12, 2008, TQS Group will file a motion in Court for an extension until June 6, 2008.

INTRODUCTION

8. The fifth report of the Monitor has been prepared in order to inform the Court about the state of affairs of TQS Group and is presented under the following headings:
 - a) Sale to Remstar Corporation;
 - b) Regulatory approvals;
 - c) Plan of arrangement;
 - d) Meeting of creditors;
 - e) Temporary financing;
 - f) Interim management;
 - g) Activities since Initial Order;
 - h) Financial projections;
 - i) Filing of proofs of claim;
 - j) Communication with creditors; and
 - k) Monitor's recommendations;

9. However, the Court should be aware that the information contained herein has not been the subject of a formal audit and comes from the books and records of TQS Group made available to the Monitor and from discussions with management of TQS Group.
10. The projected cash flow statement attached hereto was prepared by the officers of TQS Group and is based on probable assumptions. As these projections depend on future events which are beyond the control of the intervening parties, the results indicated in the projections could differ significantly from actual results;

A) SALE TO REMSTAR CORPORATION

11. Further to the order rendered on January 30, 2008 approving the implementation of a Sale Process, various offers were submitted to the Monitor.
12. On March 10, 2008, the Honourable Pierre J. Levesque, S.C.J., approved the Remstar Offer submitted on March 4, 2008, as accepted by the Board of Directors of TQS Group and its shareholders.
13. The Remstar Offer provides, among other things, that the closing of the sale is conditional upon acceptance of a Plan of Arrangement by the creditors and receipt of regulatory approvals.

B) REGULATORY APPROVALS

14. Remstar has filed various notices and approval requests with the regulatory authorities.
15. Hearings before the Canadian Radio-television and Telecommunications Commission ("CRTC") are scheduled for June 2 and 3, 2008.

C) PLAN OF ARRANGEMENT

16. The Plan of Arrangement was submitted to the Monitor on May 7, 2008.

D) MEETING OF CREDITORS

17. On May 9, 2008, the Monitor sent all creditors who had submitted a proof of claim notice of the meeting of creditors which will take place on May 22, 2008, to which notice a copy of the Plan, a voting letter and the report of the Monitor were attached (see **Schedule "A"** of this report).

E) TEMPORARY FINANCING

18. The Sale Process requires that offerors obtain temporary financing [Translation] "sufficient to finance the operations of TQS Group until the Plan of Arrangement is implemented". The Remstar Offer provided for such financing.
19. On March 17, 2008, the Court authorized TQS Group to borrow up to \$15,000,000 from Remstar, including the amount necessary for the subrogatory payment to be made by Remstar to the Canadian Imperial Bank of Commerce ("CIBC").
20. The Court also allowed the financing by Remstar to be guaranteed by the universality of the moveable and immovable property of TQS Group up to a total amount of \$15,000,000.
21. On March 18, 2008, Remstar paid by subrogation the amounts owed to CIBC in the amount of \$2,953,968.
22. Based on the financial projections prepared by management of TQS Group, this temporary financing was considered necessary. Subject to providing sufficient accounts receivable for margination purposes, TQS Group obtained a certain financial flexibility to allow it to manage its daily affairs until June 30, 2008, the date initially scheduled for the closing of the sale to Remstar.
23. This temporary financing has allowed TQS Group to continue its current operations and gave it access to the necessary funds to cover investments in its fall programming. A statement of receipts and disbursements of TQS Group for the period from December 18, 2007 to May 2, 2008 is presented in paragraph 28 of this report.

F) INTERIM MANAGEMENT

24. The Remstar Offer, as approved by the Court, provided for the appointment of a manager ("Manager") in connection with the implementation of a management contract. On March 14, 2008, a contract was signed between Remstar and TQS Group pursuant to which TQS Group gave Remstar the mandate to manage its commercial and internal affairs. The contract provides that [Translation] "in connection with the fulfilment of its obligation to administer and supervise the management of all aspects of the operation of [the company's] commercial and internal affairs, the Manager shall act honestly, in good faith and diligently...". The contract also states that Tony Porello, or alternatively Maxime Rémillard, is deemed to be vested with the authority to represent the Manager alone.

G) ACTIVITIES SINCE INITIAL ORDER

Oversight by Monitor

25. As provided for in the Initial Order, since December 18, 2007, the Monitor has overseen the affairs and finances of TQS Group and has reported on them to the Court in connection with the various motions filed before it.
26. Copies of the various motions and orders rendered by the Court as well as the reports of the Monitor have been published on our web site www.rsmrichter.com/Restructuring/TQS.aspx.

Business activities

27. Based on the information gathered in connection with its oversight duties, the Monitor is able to state that:
- TQS Group has managed its affairs honestly and in good faith;
 - TQS Group has continued to broadcast a variety of programs and to collect advertising revenue therefrom;
 - TQS Group has continued to pay for the services rendered by its employees in the normal course of business;
 - TQS Group has paid its suppliers for goods and services according to pre-determined arrangements;

- TQS Group has issued notice of termination of contracts in respect of the broadcasting of movies or television series, and others have been amended following negotiations; and
- TQS Group has not incurred any significant expense out of the normal course of business.

Financial results

28. The financial results, on a cash basis, for the period from December 18, 2007 to May 2, 2008 are broken down as follows:

TQS Group	
Statement of Receipts and Disbursements	
For the period from December 18, 2007 to May 2, 2008	
<i>(unaudited - in thousands of \$)</i>	
RECEIPTS	
Collection of accounts receivable	43,386
DISBURSEMENTS	
Salaries	18,320
Other operating expenses	3,835
Rent	894
Electricity, telephone, etc.	777
BBM/Socan/CRTC	855
Financial charges	202
GST/QST	2,685
Professional fees	1,447
Programming fees	1,985
Provision for contingencies	175
TOTAL DISBURSEMENTS	31,175
Excess receipts over disbursements	12,211
Bank debt as at December 18, 2007	(13,252)
Bank debt as at May 2, 2008	(1,041)

29. According to TQS Group's records, as of May 2, 2008, the accounts payable for current expenses/purchases are approximately between \$2,000,000 and \$3,000,000, not including agreements currently in effect with movie producers and television program production companies.

Turnover of accounts receivable

30. The turnover of accounts receivable for the period from December 18, 2007 to April 25, 2008 is summarized as follows:

TQS Group					
Turnover of Accounts Receivable					
(unaudited, in thousands of \$)	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08
Accounts receivable at beginning (Dec. 18/07)	26,544	31,835	29,596	27,527	26,017
Sales	10,303	5,863	7,050	9,204	8,757
Cash receipts	(5,012)	(8,102)	(9,119)	(10,714)	(7,592)
Accounts receivable at end	31,835	29,596	27,527	26,017	27,182

* The \$2,764,776 provision for bad debts should be deducted from the balance.

31. The aged accounts receivable as at April 25, 2008 are broken down as follows:

TQS Group					
Aged Accounts Receivable					
as at April 25, 2008					
(unaudited - in thousands of \$)					
Current	30 days	60 days	90 days	+120 days	Total
15,817	(116)	3,826	3,863	3,792	27,182

* The \$2,764,776 provision for bad debts should be deducted from the balance.

Sale of assets

32. TQS Group recently entered into two transactions covering the sale of assets which are summarized as follows:

Sale of Canal Indigo

33. On February 15, 2008, the partners of Canal Indigo—Viewer's Choice Canada Inc., Cogeco and TQS Inc.—accepted an offer to purchase submitted by Groupe TVA Inc.

34. TQS Inc. accepted the offer on the condition that it would not have to pay any money to Canal Indigo and/or take on any obligation/agreement toward this company and its partners.

35. TQS Inc. waived its share of any proceeds of sale resulting from this transaction, if any. However, the offer to sell provides that [Translation] "*Without prejudice to any recourses of the other vendors and the Purchaser against TQS Inc. which would give rise to a claim in connection with the restructuring of TQS Inc., TQS Inc. will be released by the parties from all the obligations it may have toward the Company*".
36. (Voluntarily left in blank.)

Transaction with SRC

37. Further to negotiations between SRC and TQS Inc., on March 13, 2008, SRC sent an offer to purchase certain assets and other considerations ("SRC Offer").
38. On March 17, 2008, Remstar confirmed that it authorized TQS Group to accept this offer. On March 28, 2008, the Honourable Pierre Journet, S.C.J., approved the SRC Offer and authorized TQS Inc. to sign an agreement in respect of the sale of assets and all other documents or agreements necessary to give effect to the transactions covered by the SRC Offer.
39. The transaction provides for the sale of certain assets relating to the broadcasting equipment of stations affiliated with Radio-Canada in Sherbrooke, Trois-Rivières and Saguenay ("Broadcast Sites"). SRC will also pay for some operating costs at the Broadcast Sites for a certain period of time after March 31, 2009. SRC will also extend the period for leasing the premises and technical services relating to the Broadcast Sites.
40. SRC requires that the assets sold be free of any charge, and the transaction is subject to the CRTC's approval.

H) FINANCIAL PROJECTIONS

41. As submitted in Schedule "B" hereto, the financial projections, on a cash basis, prepared by management of TQS Group for the period from May 3, 2008 to June 27, 2008 are summarized as follows:

TQS Group	
Cash Flow Statement	
for the period from May 3, 2008 to June 27, 2008	
<i>(unaudited - in thousands of \$)</i>	
RECEIPTS	
Collection of accounts receivable	11,904
DISBURSEMENTS	
Salaries	8,290
Other operating expenses	1,600
Rent	400
Electricity, telephone, etc.	400
BBM/Socan/CRTC	240
Financial charges	160
GST/QST	800
Professional fees	625
Programming fees	7,849
Provision for contingencies	1,400
TOTAL DISBURSEMENTS	21,764
Excess receipts over disbursements	(9,860)
Bank debt as at May 2, 2008	(1,041)
Bank debt as at June 27, 2008	(10,901)

- The Temporary Financing allows TQS Group to meet its commitments during the period ending June 27, 2008;
- The Monitor is of the opinion that the assumptions of TQS Group with respect to the economic financial projections are realistic.

I) FILING OF PROOFS OF CLAIM

42. In accordance with the Order rendered on April 4, 2008 which defines the setting up of a claim process, the value of the proofs of claim filed with the Monitor not later than 5:00 p.m. on April 30, 2008 is summarized as follows.

(in thousands of \$)	According to books	Total amount claimed according to proofs of claim submitted
Employees' claims		
Former employees	483	724
Employees subject to layoff notice	6,598	8,952
Employees not covered by layoff notices	N/A	2,575
Employees subject to layoff notice (filed after deadline)	N/A	1,623
	7,081	13,874
Unsecured creditors	-	
Suppliers, production companies, and others	34,631	40,450
	41,712	54,324

43. The Monitor and the authorized representatives of TQS Group have not completed their review of the proofs of claim submitted. There are currently significant discrepancies between the books and records of the Debtors and the amounts claimed. TQS Group is currently analyzing these discrepancies and, where applicable, will obtain amended proofs of claim before the meeting of creditors is held.

44. The Monitor will have to take a position and decide on the validity of the amounts claimed. In this regard, notice of the disallowance and/or partial acceptance of the amounts claimed will, where applicable, be issued by the Monitor in order to determine the claim held by the creditor for the purpose of voting at the meeting of creditors.

45. Based on the review and preliminary analysis conducted by representatives of TQS Group and taking into account discrepancies, the value of claims subject to the Plan could be between \$38,000,000 and \$40,000,000.

J) COMMUNICATION WITH CREDITORS

46. On December 21, 2007, in accordance with the Initial Order, the Monitor sent to all known creditors of TQS Group a notice informing them of the issuance of the Initial Order and the suspension of proceedings. A copy of the notice in question, along with the preliminary list of creditors, has been published on our web site (www.rsmrichter.com/Restructuring/TQS.aspx) so that creditors may have access to it.
47. On January 23, 2008, the Monitor sent to all known creditors of TQS Group a second notice informing them of the issuance of the order rendered on January 16, 2008, extending the Initial Order to February 29, 2008. The said notice was also accompanied by an update of the preliminary list of creditors.
48. On January 30, 2008, the Monitor published on its web site the Order rendered by the Court that same day approving the Sale Process.
49. On February 21, 2008, the Monitor published on its web site the Order rendered by the Court that same day extending the Initial Order until March 17, 2008.
50. On March 10, 2008, the Monitor published on its web site the Order rendered by the Court that same day approving the Remstar Offer.
51. On April 8, 2008, the Monitor informed all known creditors of the Order rendered on April 4, 2008 confirming the setting up of the claim process.
52. On May 9, 2008, the Monitor sent the notice of the meeting of creditors.
53. The Monitor also published the various motions filed in Court by TQS Group as well as the various reports issued by the Monitor, according to the date they were issued.

K) MONITOR'S RECOMMENDATIONS

54. The petition submitted by TQS Group for an extension until June 6, 2008 is reasonable and the Monitor recommends that this Honourable Court grant it, given the following:
- (a) The requested extension will allow the meeting of creditors to be held on May 22, 2008;
 - (b) The requested extension will allow the Monitor, along with the representatives of TQS Group, to finalize their review and analysis of the proofs of claim submitted and to reconcile with creditors any discrepancies and/or differences relating to the amounts claimed;
 - (c) The Temporary Financing will allow TQS Group to continue operating and to meet its ongoing financial commitments;
 - (d) So far, no creditor has been harmed by the process instituted under the CCAA;
 - (e) The main creditors and clients still indicate their support to the TQS Group in connection with this restructuring process;
 - (f) The Company has continued to act diligently and honestly, in good faith; and
 - (g) The closing of the sale transaction is still expected to occur at the end of June 2008 subject to the acceptance of the Plan by the creditors and receipt of a final, favourable decision having the authority of *res judicata*.

Respectfully submitted.

Montreal, May 9, 2008.

RSM Richter Inc.

Monitor designated by the Court

(signed) Yves Vincent

Yves Vincent, FCA, CIRP