

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
COURT NO. : 500-11-031896-075

SUPERIOR COURT
(Commercial Division)
(Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act)

IN THE MATTER OF THE PLAN OF
COMPROMISE AND REORGANIZATION OF:

SRX Post Holdings Inc. (formerly known as SR
Telecom Inc.)

Petitioner

– and –

RSM RICHTER INC.

Monitor

REPORT OF THE MONITOR
ON THE STATE OF THE PETITIONER'S FINANCIAL AFFAIRS AND
PLAN OF COMPROMISE AND REORGANIZATION
(September 22, 2008)

EXECUTIVE SUMMARY

1. On November 19, 2007, SRX Post Holdings Inc. (formerly known as SR Telecom Inc.) (the "Petitioner" or "SRX") filed with the Quebec Superior Court (the "Court"), a Motion for the Issuance of an Initial Order pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA"). On that same date, the Honourable Justice Chantal Corriveau issued an initial order (the "Initial Order"), *inter alia*, granting the Petitioner the protection it was seeking pursuant to the aforementioned motion and appointing RSM Richter Inc. as monitor (the "Monitor").
2. This Report of the Monitor on the State of the Petitioner's Financial Affairs and Plan of Compromise and Reorganization (the "Monitor's Report"), being presented is to provide information on the Petitioner and to assist the creditors in their review and assessment of the Plan of Compromise and Reorganization pursuant to the CCAA and the *Canada Business Corporations Act*, (the "Plan") which is being submitted to creditors of SRX for their consideration and approval at a meeting of creditors to be held on October 16, 2008, at 10:00 a.m., at The Holiday Inn, (Senator Room), located at 420 Sherbrooke Street West, Montréal, Québec.

As set out in greater detail in this Monitor's Report, the Plan has been developed by SRX in a continuing effort to provide greater value to the creditors of SRX than would be achieved in a bankruptcy.

Pursuant to the Plan, Affected Creditors (as defined in the Plan) who are owed CDN \$2,000 or less will automatically receive payment in full of their claims (up to a maximum of CDN \$2,000). Affected Creditors having claims in excess of CDN \$2,000 can elect to reduce their claims to CDN \$2,000 and receive payment of CDN \$2,000 in full and final settlement of all of their Affected Claims, provided they complete and return the Election to Reduce Claim (with the Proxy form) by the deadline of October 15, 2008. Affected Creditors with Affected Claims of more than CDN \$2,000 who do not complete the form of Election to Reduce Claim will be entitled to receive their pro rata share of the Affected Creditors' Fund (as defined in the Plan) remaining available for distribution to the Affected Creditors after payment in full of all amounts to be paid in priority thereto as set out in the Plan.

SRX and the Monitor believe that the Plan is in the best interests of all SRX creditors and recommend that all Affected Creditors vote IN FAVOUR of the Plan. The only realistic alternative to the Plan is bankruptcy, which would result in no recovery to the unsecured creditors.

To become effective, the Plan must be voted upon and approved by the Required Majorities (as defined in the Plan) of SRX's Affected Creditors voting on the Plan and approved by the Court. Each creditor's vote is important and the Monitor strongly encourages all creditors entitled to vote on the Plan to complete, sign, date, and return the Proxy sent with this Report for receipt by the Monitor by no later than October 15, 2008 at 5:00 p.m. preferably by fax or email, or alternatively, by mail or courier, in accordance with the instructions included with the Proxy form.

The Proxy and Election to Reduce Claim forms and the Plan (as well as the French translation) can be obtained from the Monitor's website at: www.rsmrichter.com/restructuring/srtelecom.aspx or by calling the Monitor's office at 514.934.3497

MAJOR MILESTONES SINCE NOVEMBER 19, 2007

3. Since the issuance of the Initial Order, the stay provided there under has been extended four times in order to allow for the sale of the assets/business, monetization/sale of certain assets and the filing of a plan of compromise and reorganization to the creditors of the Petitioner. The current extension of the stay provided under the Initial Order will expire on December 19, 2008.
4. In April 2008, pursuant to an order of the Court (the "Sale Order") the Petitioner sold (the Lagassé Transaction") substantially all of its operating assets to Lagassé Communications & Industries Inc. ("Lagassé") who continued the business activities under the name of SR Telecom & Co. S.E.C. and the Petitioner simultaneously ceased all operating activities. Shortly after closing, the Petitioner formally changed its name from SR Telecom Inc. to SRX Post Holdings Inc.
5. On April 23, 2008 the Court issued an order (the "Claims Process Order") establishing a process to identify, adjudicate and bar claims against SRX and its directors and officers (the "Claims Process").
6. In August 2008, SRX entered into an agreement (the "Bonterra Agreement") with Bonterra Energy Income Trust, Bonterra Energy Corp. and Novitas Energy Ltd (collectively "Bonterra"), pursuant to which SRX and Bonterra have agreed to enter into a transaction which, upon implementation, would result in, *inter alia*: (i) Bonterra advancing approximately \$11,250,000 to SRX (the "Bonterra Loan"); (ii) all liabilities of SRX, other than the Bonterra Loan, being extinguished or settled; (iii) the share capital of SRX being reorganized to provide for the redemption of all of its outstanding common shares for nominal consideration; (iv) all of SRX's cash, including the funds advanced by Bonterra, being paid and distributed to SRX creditors in accordance with the Plan; (v) the province of the registered office of SRX being changed to Alberta; and (vi) the corporate name of SRX being changed to Bonterra Energy Ltd. or such other name as the directors of Bonterra shall determine (the "Bonterra Transaction").
7. On September 17, 2008, the Board of Directors of SRX approved and authorized the filing of the Plan substantially in the form attached herewith.

OUTLINE AND RESERVES

8. The purpose of the Monitor's Report is to provide information on the state of the Petitioner's financial affairs and the Plan and to assist the creditors in their review and assessment of the Plan and provide information with respect to the following:
 - Background information;
 - Events leading to seeking protection under the CCAA;
 - Post CCAA filing operational and restructuring activities;
 - Claims Process;
 - Current financial position of the Petitioner;
 - Summary of the Plan;
 - Supplementary Claims Process;
 - Monitor's assessment of the Plan and recommendation.

9. All amounts are stated in Canadian currency unless otherwise noted. Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Plan.

10. It should be noted that the Monitor has not conducted an audit or investigation of the books and records or the receipts and disbursements of the Petitioner and that accordingly, no opinion is expressed regarding the accuracy or completeness of the information contained herein. The present information emanates from the Petitioner's books and records that have been made available to the Monitor, as well as from discussions with its management.

11. The cash flow projections appended to the Monitor's Report were prepared by SRX's management and are based on underlying assumptions. The Monitor cannot provide an opinion as to the accuracy, completeness or reliability of these projections. As the cash flow projections relate to future events, which are indeterminable by nature, variances will occur, which may be material. Accordingly, the Monitor does not express an opinion regarding the likelihood of materialization of these cash flow projections.

BACKGROUND INFORMATION

12. The Petitioner was incorporated under the *Canada Business Corporations Act* on February 17, 1981 and went public in 1986 pursuant to an initial public offering in Canada. The Petitioner's common shares currently trade on the Toronto Stock Exchange under the symbol "SRX". As of the date of the Initial Order, SRX had 754,992,769 issued and outstanding common shares.
13. SRX's head office and principal place of business is located at 8150 Trans-Canada Highway, Montréal, Quebec. It also had operations in Mexico, the United States, France and other foreign jurisdictions, either directly or indirectly through various foreign subsidiaries.
14. SRX's activities consisted of the development, design, marketing and sale of broadband wireless access products using proprietary and non-proprietary hardware and software. SRX's products and services were used in a wide range of voice and high-speed data applications for residential and business end-users.
15. As at October 31, 2007, SRX employed approximately 276 employees worldwide, either directly or indirectly. Since filing for protection under the CCAA, SRX progressively reduced its work force. Following the closing of the Lagassé Transaction, SRX retained the services of four employees (including two senior officers) as well as two consultants. As of the date of this report, only the two officers and one consultant are employed.

EVENTS LEADING TO SEEKING PROTECTION UNDER THE CCAA

16. Between 1999 and 2003, the Petitioner experienced a steady deterioration in its business, manifesting itself through a drop in consolidated revenues from \$193 million in 1999 to \$127 million in 2003. During the same period, SRX accumulated pre-tax losses from operations in excess of \$14 million, a portion of which are attributed to the losses and debt obligations of a wholly owned subsidiary, Comunicaciones Rurales y Telefonía SA, which was disposed of.
17. To address its capital and operational requirements, SRX concluded a number of public and private issuances of common shares between 2000 and 2004 raising a total of approximately \$140 million.

18. The table below summarizes the Petitioner's consolidated operating results for the fiscal years ending December 31, 2004, 2005, 2006 and 2007.

SRX Post Holdings Inc.				
Consolidated Income Statements				
(in thousands of Canadian dollars)				
	Year Ended December 31, 2007 (1)	Year Ended December 31, 2006 (1)	Year Ended December 31, 2005 (1)	Year Ended December 31, 2004 (1)
Revenue				
Gross Sales	\$ 75,682	\$ 87,455	\$ 76,384	\$ 99,074
Cost of Sales	<u>71,492</u>	<u>69,351</u>	<u>47,412</u>	<u>55,894</u>
Gross Profit	<u>4,190</u>	<u>18,104</u>	<u>28,972</u>	<u>43,180</u>
Operating Expenses	43,153	66,997	57,012	63,356
Research & Development	15,971	20,954	21,600	30,159
Restructuring Charges	<u>60,594</u>	<u>31,515</u>	<u>17,200</u>	<u>7,701</u>
Losses before Interest, Taxes, Depreciation and Amortization	<u>(115,528)</u>	<u>(101,362)</u>	<u>(66,840)</u>	<u>(58,036)</u>
Finance Charges	18,843	14,860	19,385	8,083
Other Gain	<u>6,167</u>	<u>543</u>	<u>3,972</u>	<u>10,281</u>
Losses before Taxes	<u>\$ (128,204)</u>	<u>\$ (115,679)</u>	<u>\$ (82,253)</u>	<u>\$ (55,838)</u>
(1) As per SRX's audited annual consolidated financial statements.				

19. The decline in SRX revenues was primarily attributable to:
- a decline in demand for its products;
 - lost sales due to delays in the development and commercialization of new product lines;
 - an erosion of customer confidence as a result of SRX's unstable financial situation; and
 - the inability of SRX to source components and finished goods on a timely basis and under favourable terms due to a precarious liquidity position.
20. SRX's gross margins declined from 44% in fiscal 2004 to 5.5% in fiscal 2007. This erosion was attributable to:
- delays, inefficiencies and costs incurred in the outsourcing of the manufacturing operations;
 - the inability to negotiate volume discounts;
 - penalties imposed by major customers due to delivery delays; and
 - obligations to repurchase excess and obsolete component inventories from its contract manufacturers.

21. In addition to the aforementioned factors, the Petitioner's operating losses were also caused by:
- an onerous corporate infrastructure in relation to sales volume and gross margins;
 - significant restructuring costs, including write-offs and write-downs of assets;
 - significant financing charges.
22. In the months leading to the filing under the CCAA, the Petitioner took numerous steps to restructure its affairs, rationalize its operations and improve its liquidity. The following specific measures were, *inter alia*, taken:
- hiring of Serge Fortin as Chief Executive Officer and Marc Girard as Chief Financial Officer, both knowledgeable and experienced managers in the telecommunication industry;
 - completion of the sale of its Chilean subsidiary, Comunicaciones Rurales y Telefonía SA, in February 2007, resulting in the reduction of approximately \$28 million in debt from SRX's consolidated balance;
 - redemption of the balance of its outstanding convertible secured debentures in March 2007, which released approximately \$4.7 million of cash which had been reserved pursuant to the terms of the convertible secured debentures;
 - completion of the sale and leaseback of its head office premises, located in Montréal, Quebec, generating proceeds of approximately \$8.6 million;
 - wind-down of the operations of its Thailand subsidiary;
 - improvement of the collection of accounts receivable from major customers;
 - progressive reduction in headcount; and
 - centralization and rationalization of its operations, by closing certain subsidiaries and branch offices.
23. Despite the Petitioner's restructuring measures, it continued to incur significant losses and deplete its cash reserves.
24. In September 2007, SRX engaged the services of Lazard & Frères, an international merchant bank with known experience in the telecommunication industry, to act as its exclusive financial advisor with respect to the sale of its business assets.

25. On November 18, 2007, given the financial situation of SRX, the Board of Directors of SRX resolved to seek the protection offered under the CCAA in order to provide a legal framework for SRX to continue restructuring its operations while seeking out interested parties for the acquisition of all or part of its business/assets on a going concern basis.
26. As part of its ongoing activities under CCAA protection, the Petitioner focused on:
- the sale of its business/assets;
 - pursuing its efforts to complete development activities for its new product lines and the commercialization thereof;
 - continuing rationalization of its cost structure, including additional headcount reductions; and
 - continuing deliveries to certain major customers in order to preserve goodwill and enhance the realizable value of receivables and inventories.

POST CCAA FILING OPERATIONAL AND RESTRUCTURING ACTIVITIES

27. Since the issuance of the Initial Order, the Petitioner undertook several operational and financial restructuring initiatives which included:
- Initiating the judicial liquidation of its wholly owned French subsidiary, SR Telecom SAS;
 - establishing a Key Employee Retention Program ("KERP") for the benefit of certain key employees who possessed extensive knowledge of the Petitioner's business and operations and/or unique and essential technical skills and knowledge of SRX's WiMAX based new product lines. This KERP was approved by the Court and those employees who met the entitlement requirements thereof were paid in accordance with the terms of the KERP;
 - reducing its worldwide headcount from 276 employees (including 33 consultants) to 179 resulting in gross payroll savings of approximately \$625,000 per month. The Lagassé Transaction allowed for the transfer of 108 employees to the purchaser with all remaining employees being terminated;
 - renegotiating the terms and conditions of numerous agreements with certain of its major clients, suppliers and contract manufacturers in order to maximize the recovery and realization of assets as well as to ensure the continued supply of equipment and components;

- completing the sale of the repairs and servicing activities and related physical assets related to the *SR 500*, *SR 100* and *Airstar* product lines to Duons Inc. This transaction allowed for the continued employment of all SRX employees relating to these activities and continued support of its customers with future revenue generating potential.
 - completing the Lagassé Transaction involving the sale of substantially all of its assets to Lagassé for a total cash consideration \$6,050,000 and provided for the continued employment of 108 employees and 19 consultants.
28. Following the Lagassé Transaction, SRX retained four employees (including two officers) and two consultants to complete the realization of the remaining assets, assist in the Claims Process, maintain its financial records, and assist in the process relating to the filing and approval of the Plan.
29. In August 2008, SRX entered into the Bonterra Agreement. The Bonterra Agreement and the transactions contemplated thereunder are conditional upon *inter alia* the acceptance of the Plan by the Petitioner's creditors and the issuance of a Sanction Order by the Court in accordance with the terms of the Bonterra Agreement. Closing of the transaction must also take place by no later than November 30, 2008.

CLAIMS PROCESS

30. In accordance with the terms of the Claims Process and Meeting Order, all known creditors of SRX received notices of their respective claims as determined by SRX and related information package. The Monitor also published Notices in La Presse (Montreal), The Gazette (Montreal), The National Edition of the Globe and Mail (Canada), Wall Street Journal (U.S.A.), El Mercurio (Chile), Clarin (Argentina), El Pais (Spain) and El Universal (Mexico), to advise any potential creditors of the Claims Process and Claims Bar Date. Creditors were advised to notify the Monitor of any discrepancies or additional claims by no later than May 23, 2008 (the "Claims Bar Date").
31. In addition to the Claims filed against SRX in the Claims Process, three claims were filed against the directors and officers of SRX with the Monitor before the Claims Bar Date. One such claim has now been withdrawn and the remaining two are being addressed.
32. The Monitor and the Petitioner are working together to address, resolve and adjudicate, if necessary, any disputed claims.

CURRENT FINANCIAL POSITION OF THE PETITIONER

33. The Petitioner's current balance sheet as at August 31, 2008 is presented as follows:

SRX Post Holdings Inc. Consolidated Balance Sheet As at August 31, 2008 (in thousands of Canadian dollars)	
ASSETS	
Current assets	
Cash and cash equivalents	\$ 5,858
Taxes receivable	1,313
Prepaid expenses and deposits	<u>702</u>
	<u>\$ 7,873</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 23,288
Secured Loans	<u>111,810</u>
	135,098
SHAREHOLDERS' EQUITY	
Capital stock	356,048
Deficit	<u>(483,273)</u>
	<u>(127,225)</u>
	<u>\$ 7,873</u>

34. As at August 31, 2008, the assets of the Petitioner consisted of the following:

- Cash on hand of \$5.8 million which is available to the Petitioner to complete its recovery and realization process as well as conclude the Bonterra Transaction;
- Taxes receivable of \$1.3 million consisting primarily of research and development ("R&D") tax credits related to fiscal 2007. These amounts have not yet been assessed by the relevant governmental authorities and accordingly, the timing of the receipt of said funds is uncertain at this time;
- Prepaid expenses and deposits consisting of insurance premiums and professional fees paid in advance, the majority of which will likely be expensed over time as the associated services are provided;
- The Petitioner also holds investments in foreign subsidiaries which are recorded in its books and records at a nil value.

35. The Monitor has obtained an opinion from independent legal counsel confirming the validity and enforceability of the security held by the Secured Lenders against all assets of the Petitioner.
36. Pursuant to the Claims Process, the Secured Lenders filed Secured Claims in the aggregate amount of \$41.9 million and Unsecured Claims in the aggregate amount of \$68.3 million. These unsecured claims constitute Affected Claims under the Plan and may be increased by a corresponding reduction in the Secured Claim based upon the ongoing assessment of collateral value. The Secured Lenders' Secured Claims constitute Unaffected Claims under the Plan.
37. There are two claims totaling \$11.4 million which are being disputed by the Petitioner. As discussed above, the Monitor and the Petitioner are working together to resolve these claims or to have them adjudicated in accordance with an expedited timeline.
38. The evolution of the Petitioner's cash position from November 12, 2007 to September 19, 2008 is summarized below:

SRX Post Holdings Inc. Statement of Receipts and Disbursements From November 12, 2007 to September 19, 2008 (in thousands of Canadian dollars)	
Opening Cash Balance	\$ <u>17,945</u>
Receipts from operations and sale transactions	41,134
Change in restricted cash	1,050
Disbursements	<u>(40,645)</u>
Net Increase in Cash	<u>1,539</u>
Remitted to Secured Lenders	<u>(14,550)</u>
Ending Cash Balance	<u>\$ 4,933</u>

39. The cash receipts of \$41.1 million consist of sums received from the following sources:
- Collection of accounts receivable (approximately \$30.2 million);
 - Recovery of the 2006 R&D tax credits and 10 months of sales tax refunds (approximately \$4.9 million);
 - Proceeds from the Lagassé Transaction (approximately \$6.05 million);

40. Since the issuance of the Initial Order, restricted cash of \$1.05 million (in support of supplier letters of credit, employer deductions at source and credit card guarantees) has been released.
41. The cash disbursements consisted of payments made to sustain the operations until the closing of the Lagassé Transaction as well as payments made in respect of professional fees, insurance and other post closing expenses.
42. The Petitioner anticipates that its cash balance excluding the proceeds from the Bonterra Transaction will continue to fluctuate to the closing of this transaction, as illustrated below:

SRX Post Holdings Inc. Summary Cash Flow Projections From Sept. 22, 2008 to Jan. 2, 2009 (in thousands of Canadian dollars)	
Opening Cash Balance	\$ <u>4,934</u>
Cash Receipts	1,467
Cash Disbursements	<u>(2,727)</u>
Net Decrease in Cash	<u>(1,260)</u>
Ending Cash Balance	\$ <u>3,674</u>

43. Projected cash receipts consist primarily of estimated 2007 R&D tax credits and sales tax refunds.
44. Projected cash disbursements consist of professional and consultant fees and salary costs estimated to be incurred to close the Bonterra Transaction, realize any residual assets and implement the Plan (if approved by the creditors and sanctioned by the Court).

SUMMARY OF THE PLAN

45. The purpose of the Plan is to compromise all Claims against SRX other than Unaffected Claims in order to allow for the completion of the Bonterra Transaction which will result in a distribution to the Unsecured Creditors of SRX. As indicated below, the only realistic alternative to the Plan is bankruptcy which would result in no recovery to the unsecured creditors.

46. If the Plan is approved by the majority in number of Affected Creditors with Proven Claims representing 2/3 in value of such Affected Creditors Proven Claims, and sanctioned by the Court, the Plan will be binding on SRX and all Persons affected by the Plan.
47. The implementation of the Plan is dependent upon the support of the Secured Lenders and is conditional upon the Secured Lenders being satisfied that all necessary preconditions, steps and transactions necessary for the implementation of the Plan and the arrangements between SRX and the Secured Lenders have occurred.
48. Affected Creditors shall constitute a single class under the Plan for all purposes. Any Creditor with an Unaffected Claim shall not be entitled to vote at the Meeting of Creditors or to receive any distributions under Article 4 of the Plan in respect of such Unaffected Claim.
49. The Plan provides for the following distributions to the Affected Creditors:
- Affected Creditors who are owed \$2,000 or less will receive payment in full of their claims (up to a maximum of \$2,000);
 - Affected Creditors having claims in excess of \$2,000 can elect to reduce their claims to \$2,000 and receive payment of \$2,000 in full and final settlement of all of their Affected Claims, provided they complete and return the Election to Reduce Claim (with the Proxy form) by the deadline of October 15, 2008;
 - Affected Creditors with Affected Claims of more than \$2,000 who do not complete the Election to Reduce Claim form will be entitled to receive their *pro rata* share of the Affected Creditor's Fund remaining available for distribution to the Affected Creditors after payment in full of all amounts to be paid in priority thereto as set out in the Plan.

50. On the Plan Implementation Date, subject to the satisfaction of all conditions precedent to the implementation of the Plan, SRX will retain cash in the amount of the Affected Creditors' Fund for distribution to holders of Affected Claims in accordance with the Plan. As appears from Section 5.1 of the Plan, the Affected Creditors' Fund shall comprise:

(a) the amount of \$1,000,000;

less:

(b)

(i) the amount of any Crown priority claims required to be paid;

(ii) any amounts remaining to be paid, as at the Plan Implementation Date, to present or former employees of SRX in respect of wages or other remuneration earned after the Filing Date;

(iii) any amounts to be paid, as at the Plan Implementation Date, with respect of goods or services provided to SRX after the Filing Date (other than those services already covered under the Administration Reserve); and

(iv) any amounts finally determined by the Monitor (without objection from the Secured Lenders) or the Court to be payable in respect of Claims arising exclusively between the Claims Bar Date and the Supplementary Bar Date, and which have been duly asserted by a Creditor in accordance with the Sanction Order.

51. Based and relying upon the information available to the Monitor as of the date hereof in respect of the amounts that may be payable under section 5.1.b) of the Plan, (which amounts are payable in priority to any distribution to the Affected Creditors) the Monitor believes that there shall remain an amount of no less than \$500,000 to be available for distribution to the Affected Creditors as provided for in the Plan.

52. In the event that no Affected Creditors having claims in excess of \$2,000 elect to reduce their claim to \$2,000, the Monitor anticipates that the balance remaining in the Affected Creditor Fund after payment in full of all amounts to be paid in priority thereof as set out in the Plan (including payment to all Affected Creditors having Affected Claims of \$2,000 or less) shall be approximately \$425,000, representing a dividend of approximately 0.48% to each Affected Creditor having Affected Claims in excess of \$2,000. To further illustrate to the Affected Creditors the option that is being presented to them under the Plan, if all Affected Creditors having claims of \$10,000 or less elect to reduce their claim to \$2,000, those making the election would receive the amount of their claims, up to \$2,000 and the remaining Affected Creditor Fund would be approximately \$271,000 representing a dividend of 0.30% to the Affected Creditors having claims greater than \$10,000.
53. The Plan further provides that holders of Existing SRX Equity shall not be entitled to any payment or other compensation with respect to such Existing SRX Equity and any and all Claims that any Person may have that are directly or indirectly related to or are derived from such Existing SRX Equity shall be deemed to be released in full without any compensation.

SUPPLEMENTARY CLAIMS PROCESS

54. In order to ensure that all post-filing Claims arising between the Claims Bar Date and the Plan Implementation Date are identified and settled, a Supplementary Claims Process is being initiated by the Petitioner. The Supplementary Claims Process will be presented to the Court for approval in conjunction with the Sanction Order.
55. The Supplementary Claims Process is intended to deal only with Claims arising exclusively after the Claims Bar Date (May 23, 2008) and does not in any way extend, vary, amend, or affect the Claims Bar Date or any claims that were barred or extinguished under the Claims Process Order.
56. All proven supplementary claims shall be paid in full prior to any distribution to the Affected Creditors under the Plan. The Petitioner does not anticipate that there will be any supplementary claims as at the Plan Implementation Date.

MONITOR'S ASSESSMENT OF THE PLAN AND RECOMMENDATION

57. It is the Monitor's recommendation that all Affected Creditors vote in favour of the Plan. As indicated above, it is a condition to the Bonterra Transaction that the Plan be approved by the Required Majorities of Affected Creditors and sanctioned by the Court.
58. If the Bonterra Transaction does not close, the only realistic alternative to the Plan is bankruptcy which would result in no recovery to the unsecured creditors.
59. To become effective, the Plan must be voted upon and approved by the Required Majorities of the Affected Creditors voting on the Plan and sanctioned by the Court. Each creditor's vote is important and we strongly encourage you to complete, sign, date, and return the enclosed Proxy for receipt by the Monitor by no later than October 15, 2008 5:00 p.m. preferably by fax or email, or alternatively, by mail or courier.

DATED AT MONTREAL, this 22nd day of September, 2008.

RSM Richter Inc.
Court-Appointed Monitor

A handwritten signature in blue ink, appearing to read 'Raymond Massi', is written over a faint, circular stamp or watermark.

Raymond Massi, CA