

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

SUPERIOR COURT

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

IN THE MATTER OF THE PLAN OF  
ARRANGEMENT OF:

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**SRX Post Holdings Inc. (formerly known as SR  
Telecom Inc.)**, a legal person duly constituted, having  
its place of business at:

8150, route Transcanadienne  
Montreal, Quebec H4S 1M5

**Petitioner**

– and –

**RSM RICHTER INC.**

**Monitor**

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**FOURTH REPORT OF THE DESIGNATED MONITOR  
ON THE STATE OF THE PETITIONER'S FINANCIAL AFFAIRS  
(August 11, 2008)**

**INTRODUCTION**

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 ("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* appointing RSM Richter Inc. as monitor (the "Monitor").
2. On December 17, 2007, the Court granted an extension of the stay of proceedings established in the Initial Order until February 29, 2008.

3. On February 27, 2008, the Petitioner filed a motion requesting a further extension of the stay of proceedings until May 2, 2008 in order to allow for the sale of assets, monetization/sale of certain assets and the filing of the Plan of Arrangement. On February 29, 2008, the Court granted an order extending the stay of proceedings until May 2, 2008.
4. On March 28, 2008, the Petitioner filed a motion to authorize the Petitioner to sell the majority of its assets and requesting that the Court issue a vesting order in connection therewith. On March 31, 2008, the Court rendered an order (the "Sale Order") authorizing the Petitioner to sell the majority of its assets to Lagassé Communications & Industries Inc. ("Lagassé") in accordance with the terms of the Asset Purchase Agreement entered into between Petitioner and Lagassé dated March 22, 2008 ("APA").
5. On April 4, 2008, the closing of the sale to Lagassé ("the Lagassé Transaction") took place and SRX ceased all operating activities.
6. On April 15, 2008, in furtherance of the Lagassé Transaction and as contemplated thereunder, the Petitioner formally changed its name from SR Telecom Inc. to SRX Post Holdings Inc.
7. On April 21, 2008, the Petitioner filed a Motion to Establish a Claims Process and on April 23, 2008 the Court rendered an order approving the Claims Process ("Claims Process Order").
8. On April 28, 2008, the Petitioner filed a motion requesting a further extension of the stay of proceedings until August 1, 2008 in order to allow for the monetization/sale of certain of the Petitioner's assets and the filing of the Plan of Arrangement. On May 1, 2008, the Court granted an order extending the stay of proceedings until August 15, 2008.

9. The purpose of this report is to provide the Court with:
- An update on the Petitioner's restructuring initiatives and efforts to sell/monetize its remaining assets;
  - A review of the Petitioner's current financial position and of its estimated financial position for the duration of these proceedings;
  - An update on the Claims Process;
  - A summary of the Monitor's activities since the date of the Third Report and the Sale Report (both defined below);
  - A recommendation that the Court authorize the Petitioner to distribute \$3.5 million of available cash to the secured lenders in partial reduction of the secured indebtedness;
  - A recommendation that the Court issue an Order granting the Petitioner's request for an extension of its CCAA proceedings to December 19, 2008;
10. All amounts are stated in Canadian currency unless otherwise noted.
11. 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.
12. The cash flow projections appended to this Report were prepared by SRX's management and are based on underlying financial 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**

13. We refer you to the Petitioner's Motion for the Issuance of an Initial Order, the First Report of the Designated Monitor on the State of Petitioner's Financial Affairs dated December 14, 2007 ("First Report"), the Second Report of the Designated Monitor on the State of Petitioner's Financial Affairs dated February 27, 2008 ("Second Report") and the Third Report of the Designated Monitor on the State of Petitioner's Financial Affairs dated April 28, 2008 ("Third Report") (Appendix "A") for a comprehensive description of

SRX's corporate structure, background, operations, historical operating results, financial position, as well as a summary of the operational and financial restructuring initiatives undertaken by the Petitioner's management leading up to the Petitioner seeking protection pursuant to the CCAA and since the rendering of the Initial Order. In addition we refer you the Report of the Designated Monitor in Conjunction with the Motion for Authorization to Sell the Assets of the Petitioner dated March 28, 2008 ("Sale Report"). For ease of reference certain highlights of SRX's background are provided below.

14. 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".
15. SRX's head office and principal place of business is located at 8150 Trans-Canada Highway, Montréal, Quebec. It also maintained offices in Mexico, the United States and other foreign jurisdictions (either directly or indirectly through various foreign subsidiaries).
16. SRX's core business was the development, design, marketing and sale of broadband wireless access products which are categorized as follows:
  - **SymmetryONE** ("SymmetryONE") which was the Petitioner's primary source of revenues.
  - **SymmetryMX** ("SymmetryMX"), which is a new product line, based on the WiMAX wireless communications standard, which is ready for commercialization and is anticipated to gradually replace SymmetryONE as the acquiring Company's primary source of revenues.
  - **Legacy Products** ("Legacy Products") which consist of a number of older product lines which are in their "end of life" phase. These include products known as SR500, SR100 and Airstar.

#### **RESTRUCTURING MEASURES and SALE OF ASSETS PROCESS**

17. We refer you to the First Report, the Second Report, the Third Report and the Sale Report for a summary of the operational and financial restructuring initiatives undertaken by the Petitioner's management leading up to the Petitioner seeking protection pursuant to the CCAA and since the rendering of the Initial Order, as well as a summary of the initiatives relating to the sale of assets. The following section highlights the restructuring efforts undertaken by management since the date of the Third Report.

18. As indicated above, on April 4, 2008, SRX sold the majority of its operating assets and business to Lagassé (operating under the name of SR Telecom & Co. S.E.C. ("SRT & Co.)) and permanently ceased all operating activities on the same date.
19. SRT & Co. purchased substantially all the assets and business of SRX, the assumed certain identified contracts, retained a significant number of SRX's employees and the assumed the corresponding employer obligations related thereto, at the exclusion of the key employee retention program ("KERP") amounts payable by SRX (Retention portion and Bonus portion).
20. The amounts payable, under the KERP, by SRX to identified former employees retained by SRT & Co. came due on July 4, 2008, 90 days after the individuals' employment by SRT & Co.. In accordance with the Court Order and the Trust Agreement, the Monitor funded SRX's payroll service providers on July 4, 2008 and the identified employees received the Retention portion of their KERP payments on July 9, 2008.
21. Lazard & Freres LLC ("Lazard") acted as Petitioner's exclusive financial advisor for the sale of its business. Lazard submitted to the Petitioner its invoice for services rendered in regards to the to Lagassé Transaction, the quantum of which was disputed by the Petitioner. A settlement amount was reached between the parties and the settlement agreement is currently being finalized. Once all parties are in agreement the Petitioner will pay Lazard the agreed to balance of fees payable.
22. Following the Lagassé Transaction, SRX retained the services, on a contractual basis, of 4 former employees (including two officers) and two outside consultants to assist in the realization of the remaining assets, to ensure that all post-filing and pre-sale obligations are settled, to maintain the financial records of the Company, to assist in the Claims Process and filing and implementation of an eventual Plan of Arrangement. As of the date of this Report, SRX retains one interim controller and two officers on a contractual basis.
23. With a view of maximizing realization for all stakeholders, the Petitioner:
  - a) engaged in a process for the realization of value related to the Petitioner's tax attributes. On April 7, 2008 a non-binding letter of interest outlining a proposed reorganization and recapitalization transaction, pursuant to a plan of reorganization and arrangement, was signed by an interested party and SRX. This document outlines a proposal pursuant to which the investor would provide an

investment in SRX and participate in the steps required to effect the investment. The interested party completed its due diligence review and the parties are currently in the final stages of negotiating the terms and clauses of a transaction agreement, with a view to closing the said transaction before year end; and

b) engaged in a process to sell the Petitioner's rights, title and interest in the *Airstar* intellectual property. The only identified interested buyer withdrew its expression of interest since our last Report. The Petitioner continues to seek a buyer for this "end of life" technology, however without success to date.

24. The Petitioner is monitoring the use of its cash on a daily basis. On or about April 4, 2008, the Petitioner's goods and services providers were all advised that the Petitioner sold its operating assets and ceased all operations and accordingly, were notified of the termination of their services and contracts, effective April 4, 2008. In addition, as a result of the Claims Process mailing, all Scheduled Creditors (as defined in the Claims Process Order, representing all known and potential creditors of SRX) were notified that their contracts were repudiated effective April 23, 2008. The Claims Process mailing requested that all creditors notify the Monitor of any and all post-filing invoices which had not been paid by SRX, by no later than the Claims Bar Date (May 23, 2008 as defined in the Claims Process Order). Management ensured that all post-filing liabilities identified through the Claims Process or otherwise were paid. Management continues to make payments on all invoices for goods or services received since the Claims Bar Date, as they are received.

## **CLAIMS PROCESS**

25. In anticipation of the consummation of the proposed reorganization and recapitalization transaction and in order to accelerate the presentation of a plan of arrangement to its creditors, the Petitioner sought and obtained the Claims Process Order on April 23, 2008.

26. The Claims Process Order outlines the actions and related timeline for the solicitation, acceptance and disallowance of claims against the Petitioner as well as its directors and officers, including claims which came into existence since the issuance of the Initial Order.

27. In accordance with the Claims Process Order:

- a) On April 16, 2008, the Petitioner provided the Monitor with a comprehensive list of Scheduled Creditors, with amounts owing as estimated by the Petitioner as well as mailing addresses for each of the Scheduled Creditors.
- b) On April 28, 2008, the Monitor mailed a Notice of Scheduled Creditor Claim and an Information Package (as defined in the Claims Process Order) to every Scheduled Creditor.
- c) A copy of the Information Package (as defined in the Claims Process Order) was posted on the Monitor's Website on April 25, 2008.
- d) Notices of Claims Bar Date were published in the following newspapers on the following dates:
  - The Montreal Gazette – April 26, 2008;
  - La Presse (Montreal) – April 26, 2008;
  - Globe & Mail (National Edition) – April 26, 2008;
  - Wall Street Journal (National Edition) – April 28, 2008;
  - El Pais (Spain) – May 3, 2008;
  - El Mercurio (Chile) – May 3, 2008;
  - Clarin (Argentina) – May 3, 2008;
  - Al Universal (Mexico) – May 3, 2008.
- e) 64 Notices of Dispute or Proof of Claims were received by the Monitor on or before the Claims Bar Date (as defined in the Claims Process Order), May 23, 2008.
- f) 3 Director and Officer ("D&O") Proof of Claims were received by the Monitor on or before the Claims Bar Date. One of the D&O Proof of Claims has since been withdrawn.
- g) Any claims made for post-filing amounts, pertaining to goods or services provided after November 19, 2007 were paid by the Petitioner.

- h) 40 Notices of Revision or Disallowances were sent to the creditors by registered mail on June 9, 2008, disallowing all or a portion of the creditors claims.
  - i) In accordance with the Claims Process Order, the recipients of a Notice of Revision or Disallowance had 10 days from the receipt of same to file a Motion of Appeal with the courts.
  - j) 5 creditors filed Motions to Appeal or requested extensions of the delay to do so.
28. The Petitioner continues to work with the Monitor to reconcile and resolve any discrepancies relating to amounts claimed pursuant to Motions for Appeal.
29. The Plan of Arrangement has not yet been formulated and the formulation of such a Plan is directly related to the consummation of the proposed reorganization and recapitalization transaction.

#### **LIQUIDITY POSITION**

30. In the Third Report, the Petitioner filed with this Court, a revised Projected Cash Flow statement for the period ending August 1, 2008 (as appendix "C" to the Third Report).
31. On August 1, 2008, the Petitioner's cash balance amounted to \$8.5 million, as compared to the projected balance of \$6.86 million as at the same date. The \$1.64 million favorable variance is attributable to the following:
- Cash receipts were \$320,000 less than the projected amounts attributable primarily to the following:
    - The GST & QST refunds received in the period were \$475,000 less than projected due to timing differences;
    - Recovery of deposits of \$151,000 which is \$99,000 less than projected. \$30,000 of the variance is budgeted to be recovered in future periods. The balance of the deposits were recovered by being applied to outstanding invoices and as such did not impact cash receipts;
    - Recovery of interest and other of \$255,000 which was not projected;
  - Restricted and Reserved Cash were reclassified as free cash as follows:



- An amount of \$50,000 of cash which had been restricted to cover the corporate credit card with HSBC was released by the bank, subsequent to all outstanding amounts owing being paid and the card being cancelled;
  - The use of \$922,000 of cash held in trust and reserved for the Retention portion of the KERP was paid to the entitled employees.
- Cash disbursements were \$1.96 million less than projected attributable to the following:
- Projected reserve of \$1.0 million for disputed amount which was not settled in the period. The proposed settlement amount is projected into future periods;
  - Projected reserve of \$550,000 for contingencies which was not disbursed in the period. The reserve is projected into future periods;
  - Professional fees favorable variance of \$365,000 attributable to timing differences. The variance was projected into future periods;
  - Net favorable variances in the amount of \$45,000 attributable to timing differences.
32. For more detailed explanations of the above noted variances, we refer you to the “Cash Flow – Actual vs. Budget” schedule and variance analysis attached hereto as Appendix “B”.
33. Since the issuance of the Initial Order, the Petitioner has been operating virtually on a COD basis with most of its suppliers. The Petitioner has however incurred certain liabilities which remain outstanding due primarily to timing differences and which should be paid forthwith in the normal course of business.

#### **CASH FLOW PROJECTIONS**

34. The Petitioner presents to this Court its revised Cash Flow Projections for the period from August 4, 2008 to December 19, 2008 (Appendix “C”).
35. The assumptions underlying the revised Cash Flow Projections (Appendix “D”) reflect the Petitioner’s restructuring initiatives discussed throughout this report. The impact of the sale/monetization of the remaining assets of the Petitioner has not been reflected as the terms and timing thereof are unknown at the present time.

36. Based on the revised Cash Flow Projections, the Petitioner should have sufficient cash to fund its asset realization activities and the Claims Process through December 19, 2008 during which period it hopes to close one or more additional transactions involving the monetization its remaining assets as well as file a Plan of Arrangement. The use of funds reflected in the revised Cash Flow Projections has been reviewed and consented to by its secured lenders.
37. As of August 1, 2008, the Petitioner's calculations indicate that \$3.5 million of the cash is available for distribution to its secured lenders, at this time, taking into account the projected expenditures to the end of the year. Such payment has not been reflected in the Cash Flow Projections.

#### **ACTIVITIES OF THE MONITOR**

38. The Monitor attended numerous meetings and participated in conference calls with the Petitioner's management and its Board of Directors, was kept apprised of material developments relating to the business activities and was consulted and assisted with the restructuring process, the sale of assets and the proposed reorganization and recapitalization transaction.
39. The Monitor attended meetings and had discussions with the Petitioner's management, the secured lenders and their legal counsel to apprise them of material developments and to seek their views and input with respect to the restructuring initiatives and the proposed reorganization and recapitalization transaction. At the request of the secured lenders and with the concurrence of the Petitioner, the Monitor also prepared a number of analyses for the benefit of the secured lenders.
40. The Monitor addressed numerous queries from the Petitioner's suppliers, contract manufacturers and other unsecured creditors.
41. The Monitor continued to review the Petitioner's financial affairs and results on a regular basis. The Monitor also reviewed the Petitioner's weekly cash flow projections attached to this Report.
42. The Monitor has actively participated in the Petitioner's efforts to realize on the value of its assets and has participated in numerous meetings and discussions with the Petitioner's management, Board of Directors, secured lenders, financial advisors and legal counsel in relation thereto.

43. The Monitor is involved in the Petitioner's ongoing review of its subsidiaries financial position to identify any potential recoveries or liabilities.
44. The Monitor attended meetings and had discussions pertaining to the Claims Process and coordinated the notifications, mailings of Scheduled Creditor Claims and Proof of Claims, review of Notices of Dispute and Proof of Claims received, preparation of Notices of Revision or Disallowance and review of Motions to Appeal.

#### **REQUEST FOR EXTENSION AND MODIFICATION OF THE CLAIMS PROCESS ORDER**

45. At the present time, it is premature for the Petitioner to develop a plan of arrangement and present same to its creditors. As discussed above, the Petitioner is presently continuing its negotiations with an interested party with a view to completing the proposed reorganization and recapitalization transaction, pursuant to a plan of reorganization and arrangement. The consummation of the proposed transaction is taking longer than anticipated, however the Petitioner and its legal advisors are working closely with the potential buyer and their legal counsel to close the transaction within the shortest delays.
46. The Claims Process has been initiated and is currently well under way.
47. The Petitioner has generally been paying for goods and services received subsequent to the date of the Initial Order on a COD basis.
48. It is the Monitor's belief that the Petitioner's management and its Board of Directors has and continues to act in good faith, with diligence and has been cooperating with all stakeholders, including but not limited to the Monitor, the secured lenders, as well as other creditors.
49. The Monitor supports the Petitioner's request for an extension of the stay of proceedings established in the Initial Order until December 19, 2008;
50. The Monitor respectfully recommends that the Court authorize and direct the Petitioner to distribute \$3.5 million of the available cash to the secured lenders in partial reduction of its secured indebtedness;

51. The Court should grant this extension as:

- a) The Petitioner has and continues to act in good faith and with diligence;
- b) The Petitioner needs additional time in order to complete the process for the realization of value related to the Petitioner's tax attributes and to present a Plan of Arrangement to its creditors.
- c) The Petitioner has not prejudiced any of its creditors as it has paid or is expected to pay all liabilities incurred since the issuance of the Initial Order, subject to the abovenoted comments with regards to Lazard.

DATED AT MONTREAL, this 11<sup>th</sup> day of August, 2008.

RSM RICHTER INC  
Court-Appointed Monitor



Per: Raymond Massi, CA

**Third Report of the Designated Monitor on the State of the Petitioner's Financial Affairs**

**Refer to**

**<http://www.rsmrichter.com/Restructuring/SRTelecom.aspx>**

**Third report of the designated monitor on the state of the petitioner's financial affairs.pdf**

	Actuals 39 weeks ended August 1, 2008	Budget 39 weeks ended August 1, 2008	Variance 39 weeks ended August 1, 2008	Comments
Cash Receipts	\$ 40,149,509	\$ 40,468,552	\$ (319,042)	Note 1
<b>Disbursements</b>				
Procurement	16,251,128	16,230,134	20,994	Note 2
Operating Expenses	15,551,632	17,236,670	(1,685,039)	Note 3
	<u>31,802,760</u>	<u>33,466,804</u>	<u>(1,664,045)</u>	
<b>CCAA Funding Requirements</b>				
Vacation Pay Funding	2,288,303	2,288,303	0	
Retention Bonus Funding	1,620,085	1,620,085	0	
Procurement deposits	0	0	0	
Operating deposits	134,500	134,500	0	
Admin/Professional fees	3,745,115	4,044,760	(299,645)	Note 4
	<u>7,788,003</u>	<u>8,087,648</u>	<u>(299,645)</u>	
<b>Net Increase/(Decrease) in Cash</b>	558,747	(1,085,901)	1,644,648	
Remitted to secured lenders	(11,050,000)	(11,050,000)	0	Note 6
Opening Cash Balance <i>(net of restricted and reserved cash)</i>	17,945,637	17,945,637	0	
Change in restricted cash	1,050,000	1,050,000	0	
<b>Ending Cash Balance</b>	<u>\$ 8,504,384</u>	<u>\$ 6,859,736</u>	<u>\$ 1,644,648</u>	
Balance per Bank	8,640,180	11,637,745	(2,997,565)	
Less: Restricted Cash	0	(800,000)	800,000	Note 5
Less: Reserved Cash - Vacation Pay	0	(2,357,924)	2,357,924	Note 6
Less: Reserved Cash - KERP	(135,796)	(1,620,085)	1,484,289	Note 7
Less: Axtel segregated account	0	0	0	
<b>Ending Cash Balance</b>	<u>\$ 8,504,384</u>	<u>\$ 6,859,736</u>	<u>\$ 1,644,648</u>	

Variance Analysis

- Note 1: Cash receipts are \$319K less than budget for the following reasons:
- GST & QST refunds of \$522K are \$475K less than projected in the period as a result of delays by the Government bodies; The anticipated refunds have been budgeted into future periods;
  - \$250K of Deposit Recoveries were projected in the period, of which \$151K was recovered and reflected in cash receipts, \$30K has not yet been recovered (and is budgeted in future periods) and the balance was recovered and applied as a reduction of associated expenses.
  - Interest recoveries of \$225K in the period which were not projected;
  - Recoveries from foreign subsidiaries of \$30K which were not projected.
- Note 2: Procurement disbursements are in line with the projected amounts other than some minor variances attributable to invoices for expenses incurred prior to the sale of assets/business which were received after April 25, 2008 (date of last cash flow).
- Note 3: Operating expenses are \$1.68MM less than budget primarily due to the following:
- \$1MM reserved with respect to a disputed amount was projected in the period. The disputed amount is in the process of being settled for a lesser amount. The proposed settlement amount has been budgeted into future periods;
  - Contingency reserve of \$550K projected in the period did not materialize, the reserve was budgeted in future periods;
  - Professional fees are \$365K less than projected due to timing differences, the variance has been budgeted into future periods;
  - Contractual employee remunerations are \$68K less than projected due to timing differences, the variance has been budgeted into future periods;
  - Retention payments of \$63K which were not projected;
  - Claims Process Notice publication costs of \$150K which were not projected;
  - \$85K of other expenses in excess of budget.
- Note 4: CCAA Administration and Professional fees are \$300K less than projected due to timing differences, the variance has been projected into future periods
- Note 5: \$800K of restricted cash was unrestricted by HSBC as follows:
- \$250K of restricted cash to cover the bi-weekly employer DAS obligations, was released by the bank subsequent to the conclusion of the sale transaction of the final payments made to all employees.
  - \$500K of restricted cash in respect to a customer L/C which expired March 31, 2008 was released in April.  
(note: \$200K of restricted cash in respect to another customer L/C was released in Nov. 2007)
  - \$50K of restricted cash to cover the corporate credit card.
- Note 6: Reserved cash of \$2.36MM set aside was reclassified and used as follows:
- \$778K was used to fund the vacation payments to terminated and assumed employees;
  - \$807K was used to fund the severance payments for terminated employees;
  - \$100K was used to fund payroll costs associated with employee vacation pay (taken in time);
  - \$800K was permanently reclassified due to Lagasse's assumption of post July-1 2007 vacation liability for assumed employees
  - \$72K was permanently reclassified as it pertained to funds set aside for vacation pay for foreign subsidiary employees which was either assumed by the purchaser or funded directly by the subsidiaries.
- Note 7: \$1.48MM of funds in trust were disbursed to pay KERP to entitled employees who were terminated or assumed as a function of the sale to Lagasse.

SRX Post Holdings Inc (formerly SR Telecom Inc)  
 Summary Weekly Cash Flow Projections  
 For the 20 Weeks Ending December 19, 2008

Appendix "C"

Week ending	8/Aug/08	15/Aug/08	22/Aug/08	29/Aug/08	5/Sep/08	12/Sep/08	19/Sep/08	26/Sep/08	3/Oct/08	10/Oct/08	17/Oct/08	24/Oct/08	31/Oct/08	7/Nov/08	14/Nov/08	21/Nov/08	28/Nov/08	5/Dec/08	12/Dec/08	19/Dec/08	Total	
<b>Cash Receipts</b>	761,765	190,000	0	0	0	124,000	0	0	0	0	0	0	0	0	1,239,868	0	0	0	0	0	2,335,633	
<b>Disbursements</b>																						
Procurement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Expenses	83,057	566,093	57,000	261,048	192,000	152,635	57,000	77,000	157,000	77,000	82,000	77,000	59,598	77,000	57,000	77,000	57,000	77,000	57,000	237,000	2,537,430	
	83,057	566,093	57,000	261,048	192,000	152,635	57,000	77,000	157,000	77,000	82,000	77,000	59,598	77,000	57,000	77,000	57,000	77,000	57,000	237,000	2,537,430	
<b>CCAA Funding Requirements</b>																						
Vacation Pay Funding	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Retention Bonus Funding	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Procurement deposits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating deposits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Admin/Professional fees	115,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	30,000	30,000	770,000	
	115,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	30,000	30,000	770,000	
<b>Net Increase/(Decrease) in Cash</b>	563,706	(411,093)	(92,000)	(266,048)	(227,000)	(63,635)	(92,000)	(112,000)	(192,000)	(112,000)	(117,000)	(112,000)	(94,598)	(112,000)	1,147,868	(112,000)	(92,000)	(112,000)	(87,000)	(267,000)	(971,797)	
<b>Remitted to secured lenders</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Opening Cash Balance</b>	8,504,384	9,088,092	8,676,999	8,584,999	8,288,952	8,061,952	7,998,317	7,906,317	7,794,317	7,602,317	7,490,317	7,373,317	7,261,317	7,166,719	7,054,719	8,202,587	8,090,587	7,998,587	7,886,587	7,799,587	8,504,384	
<b>Change in restricted cash</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Ending Cash Balance</b>	9,088,092	8,676,999	8,584,999	8,288,952	8,061,952	7,998,317	7,906,317	7,794,317	7,602,317	7,490,317	7,373,317	7,261,317	7,166,719	7,054,719	8,202,587	8,090,587	7,998,587	7,886,587	7,799,587	7,532,587	7,532,587	

**SRX Post Holdings Inc. (Formerly Known as SR Telecom Inc.)**  
**Notes to the Projected Cash Flow Statement**  
For the Period beginning on August 2, 2008 to December 19, 2008

**Note 1: Purpose of the Projected Cash Flow Statement**

- The attached cash flow projections were prepared by SRX Post Holdings Inc.'s ("SRX" or "Company") management on August 4, 2008 based on available financial information at that date. The sole purpose of these projections is to present prospective financial information required under Section 11(2) of the Companies' Creditors Arrangement Act ("CCAA"). Readers are cautioned that this information may not be appropriate for other purposes.
- The cash flow projections were prepared using probable assumptions supported and consistent with SRX's plans for the period from August 2, 2008 to December 19, 2008, taking into consideration the economic conditions that are considered the most probable by management.
- The cash flow projections are based on assumptions pertaining to future events, accordingly actual results may vary significantly from the information presented, even if the hypothetical assumptions occur, and the variations may be material.

**Note 2: General Assumptions**

- The Company sold the majority of its operating assets on April 4, 2008 and permanently ceased operations on the same date;
- The Company's management is in the process of negotiating a transaction in order realize on the value of certain of the Company's assets. The purchase price, the timing and the probability of closing this transaction is unclear at this time. Accordingly, no proceeds related to the transaction has been considered in the preparation of these financial projections, however certain estimated costs to consummated the transaction have been;
- These projections reflect the employment of two of the Company's former employees (officers) and one outside consultant to assist in the realization of the remaining assets of the Company, ensure that all post-filing and pre-sale obligations are settled, to assist in the Claims Process, as well as the filing and implementation of an eventual Plan of Arrangement.

**Note 3: Specific Assumptions**

- Cash receipts:
  - These projections reflect the recovery of tax refunds and outstanding supplier deposits/pre-payments which were not assumed by the buyer.
- Cash Disbursements:

These projections reflect the payment of the following expenses:

  - The remaining post-filing and pre-sale liabilities incurred;
  - Employees and outside consultant wages;
  - Professional fees;
  - Other expenses directly related to the realization of the Company's remaining assets.
  - Reserve for contingencies.