

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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**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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**SECOND REPORT OF THE DESIGNATED MONITOR  
ON THE STATE OF THE PETITIONER'S FINANCIAL AFFAIRS  
(February 27, 2008)**

**INTRODUCTION**

1. On November 19, 2007, SR Telecom Inc. (the "Petitioner" or "SR Telecom") 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, Mrs. 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 SR Telecom an extension of the stay of proceedings established in the Initial Order until February 29, 2008.
3. All amounts are stated in Canadian currency unless otherwise noted.

4. The purpose of this report is to provide the Court with:
  - An update on the Petitioner's operational and financial restructuring initiatives;
  - An review of the Petitioner's current financial position and of its estimated financial position for the duration of these proceedings;
  - A summary of the Monitor's activities since the date of the First Report (defined below);
  - An update on the Petitioner's efforts to sell its operating assets on a going concern basis;
  - A recommendation that the Court issue an Order granting the Petitioner's request for an extension of its CCAA proceedings to May 2, 2008;
  
5. We inform the Court 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.
  
6. The cash flow projections appended to this Report were prepared by SR Telecom's management and are based on underlying financial assumptions. The Monitor can not 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**

7. We refer you to the Petitioner's Motion for the Issuance of an Initial Order, and the First Report of the Designated Monitor on the State of Petitioner's Financial Affairs dated December 14, 2007 ("First Report") (illustrated in Appendix "A") for a comprehensive description of SR Telecom's corporate structure, background, operations, historical operating results and financial position. For ease of reference certain highlights of SR Telecom's background are provided below.
  
8. 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".

9. SR Telecom's head office and principal place of business is located at 8150 Trans-Canada Highway, Montréal, Quebec. It also maintains offices in Mexico and in the United States (either directly or through various foreign subsidiaries).
10. SR Telecom's core business is the development, design, marketing and sale of broadband wireless access products which can be categorized as follows:
  - **SymmetryONE** ("SymmetryONE") which is currently the Petitioner's primary source of revenues.
  - **SymmetryMX** ("SymmetryMX"), which is a new product line, based on the WiMAX wireless communications standard, which is now ready for commercialization. Revenues from this new product line are forecasted to start in the second quarter of 2008 and should gradually replace SymmetryONE as SR Telecom's primary source of revenues.
  - **Legacy Products** ("Legacy Products") which consists of a number of older product lines which are in their "end of life" phase. These include products known as SR500, SR 100 and Airstar.
11. SR Telecom outsources the manufacturing of all its products to various contract manufacturers.
12. SR Telecom's customers consist of telecommunications operators who provide services in countries and regions which have limited wired telecommunications infrastructure, or where the deployment of a wired telecommunications infrastructure would not be feasible or cost effective. The majority of SR Telecom's business development opportunities are in emerging or third-world countries.

#### **OPERATIONAL AND FINANCIAL RESTRUCTURING MEASURES**

13. We refer you to the First 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. The following section highlights the restructuring efforts undertaken by management since the date of the First Report.

14. As at the date of issuance of the Initial Order, SR Telecom, on a consolidated basis, had approximately 276 employees, including 33 consultants. Since seeking protection under the CCAA, the Petitioner has reduced its head count by 96 from 276 to 179 (including 30 consultants), resulting in gross payroll savings of approximately \$625,000 per month (including subsidiaries).
15. On December 14, 2007 the Petitioner finalized a sale agreement with Duons Inc., a company based in France, for the sale of the repairs and servicing activities related to the *SR 500*, *SR 100* and *Airstar* product lines. The assets acquired include repair and test equipment, inventory, contracts and open orders related to these product lines. As well, Duons Inc. took over the obligations relating to the employees involved in these repair and servicing activities. The intellectual property associated with the above noted product lines, was excluded from this transaction.
16. In addition, SR Telecom and Duons Inc. finalized a service agreement for the SymmetryONE product line.
17. On December 21, 2007 SR Telecom's sales office located in the Philippines was closed and all employees were terminated (reflected in the head count reductions noted in 14 above).
18. In early January 2008, SR Telecom negotiated a further amendment to an existing supply agreement with its major customer for SymmetryONE. Under the terms of this amendment, SR Telecom received an advance payment from this customer, permitting the Petitioner to procure, on a timely basis, the required components and parts to complete the order commitments with limited disruption to its supply chain and without deteriorating its cash position.
19. Management has been working closely with its suppliers and in particular, its contract manufacturers, to minimize procurement to meet future delivery commitments by optimizing current inventory consumption at all its locations.
20. The Petitioner also negotiated revised supply terms with one of its contract manufacturers allowing it to recover, over time, a significant portion of the advances made to that contract manufacturer prior to the issuance of the Initial Order.
21. SR Telecom has been actively soliciting and has been successful in generating interest from a number of potential customers for its SymmetryMX product line. Management believes that, once the long-term

continuity of SR Telecom's operations is assured following a sale of its assets/business activities, significant SymmetryMX sales should be generated.

22. The Petitioner is monitoring the use of its cash on a daily basis. Only essential operating expenses are being expended and only procurement requirements to fill confirmed purchase orders for customers with whom advantageous payment terms have been negotiated are being made.

## LIQUIDITY POSITION

23. In the First Report, the Petitioner filed with this Court (as appendix "D" to the First Report), a revised Projected Cash Flow statement for the period ending March 31, 2008.
24. On February 15, 2008, the Petitioner's cash balance amounted to \$13.6 million, as compared to the projected balance of \$9.8 million as at the same date. The \$3.8 million favorable variance is attributable to the following:
  - Cash receipts in excess of projected amounts by \$6.5 million, of which \$6.1 million pertains to advance payments received from a major customer (as discussed above) which were not projected;
  - Cash disbursements in excess of projected amounts by \$2.7 million:
    - \$3.5 million of procurement costs were not projected, which are covered by the advance payments received (offsetting the positive variance noted above);
    - \$800,000 favorable variances attributable to timing differences.
25. For more detailed explanations of the above noted variances, we refer you to the "Cash Flow – Actual vs. Budget" schedule and variance analysis included as Appendix "B".
26. 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 some liabilities which are insignificant, are due primarily to timing differences and should be paid forthwith in the normal course of business.

## **CASH FLOW PROJECTIONS**

27. The Petitioner presents to this Court its revised Cash Flow Projections for the period from February 18, 2008 to May 2, 2008 (Appendix "C").
28. The assumptions underlying the revised Cash Flow Projections (Appendix "D") have been modified and reflect the Petitioner's restructuring initiatives discussed throughout this report. It should however be noted that these revised Cash Flow Projections only reflect the financial impact of transactions involving the sale of assets and/or business activities which have been concluded. The impact of the sale of the balance of the Petitioner's assets and/or business activities has not been reflected as the terms and timing thereof are unknown (see Sale Process below).
29. Based on the revised Cash Flow Projections, the Petitioner should have sufficient cash to fund its operations through May 2, 2008 during which period it hopes to close one or more additional transactions involving the sale of all or substantially all of its assets as well as to file a plan of arrangement. The revised Cash Flow Projections show that a cash balance of approximately \$8.2 million will remain at the end of the period covered to support on going activities if required, however the Petitioner's management has given an undertaking not to use \$8.0 million of the cash reserves without first advising the Secured Lenders.

## **ACTIVITIES OF THE MONITOR**

30. The Monitor attended numerous meetings and 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.
31. The Monitor attended several meetings and discussions with the Petitioner's management and its secured lenders (and their legal counsel) to apprise them of material developments and to seek their views and input with respect to both the restructuring initiatives and the asset sale process. 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.
32. The Monitor addressed numerous queries from the Petitioner's suppliers, contract manufacturers and other unsecured creditors.

33. The Monitor was also consulted and reviewed the renegotiated terms of the agreement between the Petitioner and its major customer for its SymmetryONE products which resulted in the receipt of the advance payments previously referred to. The Monitor also assisted the Petitioner in its efforts to realize on advances and deposits with contract manufacturers and suppliers made prior to the Initial Order.
34. 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.
35. The Monitor has actively participated in the Petitioner's efforts to sell its operating assets/business and has participated in numerous meetings and discussions with the Petitioner's management, Board of Directors, financial advisors and legal counsel in relation thereto. The Monitor has also engaged in direct communications with certain purchasers and potential purchasers of the Petitioner's assets.
36. The Monitor is involved in the Petitioner's ongoing review of its subsidiaries financial position to identify any potential recoveries or liabilities.
37. The Monitor attended meetings with the Petitioner and its auditors regarding the implications of CCAA proceedings on year end financial statement preparation and disclosure requirements.
38. The Monitor has engaged the services of Stikeman Elliott as legal counsel. Furthermore, the Monitor has requested, but has not yet received, a legal opinion on the validity of the secured interests against the Petitioner's assets.

## **SALE PROCESS**

39. In late September 2007, SR Telecom engaged the services of Lazard & Frères LLC ("Lazard") as its exclusive financial advisor to sell its major operating assets and in particular, the assets and business activities related to the SymmetryONE and SymmetryMX product lines.
40. Lazard has assisted the Petitioner's management in the identification of potential buyers, the solicitation of offers, and is currently participating in negotiations with interested parties for the SymmetryONE and SymmetryMX product lines.

41. Very early in the process, the Petitioner's established a comprehensive virtual "data-room", containing financial and non-financial information required by potential buyers to allow them to complete their due diligence process quickly and in an organized manner. The "data-room" is continually being updated with additional information as requested by potential purchasers.
42. In January, the Petitioner requested a first round of offers from potential purchasers and received numerous non-binding offers for the purchase of substantially all the operating assets and business activities pertaining to the SymmetryONE and SymmetryMX product lines as well as one proposal to provide technical support services to a future acquirer of SR Telecom's business.
43. Following a review of these offers, the parties who had submitted offers which were deemed to be in line with the Petitioner's objectives were asked to intensify their due diligence reviews. A letter outlining the "second round" sale process was then sent to each participant along with a proposed asset purchase agreement prepared by the Petitioner's legal counsel. The process letter requested that offers be submitted on or about February 11, 2008.
44. Revised offers pursuant to this second round were in fact received, reviewed and analyzed by the Petitioner, its legal counsel, Lazard and the Monitor. The Petitioner has since chosen to concentrate its negotiations with one potential purchaser on an exclusive basis with the view to entering into a binding unconditional asset purchase agreement by the beginning of March 2008.
45. Concurrently with the sale process for the SymmetryONE and SymmetryMX product lines, management engaged in a process for the monetization of certain significant tax attributes.
46. Management is also presently engaged in negotiations with a buyer for the rights to the *Airstar* intellectual property. The interested buyer is in the process of completing its due diligence.

#### **REQUEST FOR EXTENSION**

47. At the present time, it is premature for the Petitioner to develop a plan of arrangement and present same to its creditors. The Petitioner is presently in the midst of its restructuring and sale process and any plan of arrangement will be contingent on the success of the sale process and/or the monetization of its tax attributes.



48. As indicated above, the Petitioner is actively engaged in negotiations with certain potential purchasers of substantially all of its operating assets with the view of negotiating a binding agreement shortly. As such, an extension to the stay of proceedings is required to allow for the successful conclusion of a sale transaction.
49. The Petitioner has and is continuing deliveries of product to its two major SymmetryONE customers. The Petitioner requires additional time in order to continue supplying these customers and meet existing contractual commitments.
50. The Petitioner has and is continuing to realize on advances and deposits made to contract manufacturers and suppliers which existed at the time the Initial Order was rendered and requires additional time in order to maximize the realization.
51. The Petitioner has been paying for goods and services received subsequent to the date of the Initial Order on a COD basis with only a few exceptions. Any outstanding amounts are minimal, and should be paid in the normal course.
52. 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.
53. The Monitor supports the Petitioner's request that the Court grant the Petitioner an extension of the stay of proceedings established in the Initial Order until May 2, 2008;

54. 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 sale of all or substantial all its assets, the monetization of its 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.

DATED AT MONTREAL, this 27<sup>th</sup> day of February, 2008.

RSM RICHTER INC.  
Court-Appointed Monitor

A handwritten signature in black ink, appearing to read 'Raymond Massi', is written over the typed name. The signature is fluid and cursive.

Per: Raymond Massi, CA

# SCHEDULE A

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL  
NO DE COUR : 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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**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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**FIRST REPORT OF THE DESIGNATED MONITOR  
ON THE STATE OF PETITIONER'S FINANCIAL AFFAIRS  
(December 14, 2007)**

**INTRODUCTION**

1. On November 19, 2007, SR Telecom Inc. (the "Petitioner" or "SR Telecom") filed with the Quebec Superior Court, a Motion for the Issuance of an Initial Order pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA"). On that same date, Mrs. Justice Chantal Corriveau issued an initial order (the "Initial Order"), *inter alia* appointing RSM Richter Inc. as monitor (the "Monitor").
2. All amounts are stated in Canadian currency unless otherwise noted.
3. This first report of the Monitor is to inform the Court of the following:
  - General Corporate Information
  - Historical Results and Events Leading to the CCAA
  - Sale Process
  - Operational and Other Restructuring Measures

- Financial Position
  - Liquidity Position
  - Cash Flow Projections
  - Activities of the Monitor
  - Directors and Officers Charge
  - Request for an Extension of the Stay of Proceedings to February 29, 2008
4. We inform the Court 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 the management.
5. The cash flow projections appended to this Report were prepared by SR Telecom's management and are based on underlying financial assumptions. The Monitor can not 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.

#### **GENERAL CORPORATE INFORMATION**

6. 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 Monitor's Report, SR Telecom has 754,992,769 issued and outstanding common shares.
7. SR Telecom's head office and principal place of business is located at 8150 Trans-Canada Highway, Montréal, Quebec. It also maintains regional sales offices (either directly or through various foreign subsidiaries) in the United States, Mexico, and the Philippines. Most of these foreign operations now have limited activity.
8. We refer you to the Petitioner's Motion for the issuance of an Initial Order for a more comprehensive description of SR Telecom's corporate structure, background and operations (Appendix "A").

9. The Petitioner also maintained, through its wholly owned subsidiary, SR Telecom SAS, a sales office in France. This entity was recently placed into court-supervised liquidation and all employees have been terminated.
10. SR Telecom's core business is the design, marketing and sale of broadband wireless access ("BWA") products.
11. The Petitioner's activities consist of the development and commercialization of proprietary hardware and software integrated with third-party equipment for use in telecommunications networks. SR Telecom's products and services provide a wide range of voice and high-speed data applications for residential and business end-users. Its products have gained marketplace acceptance as they provide for a cost effective wireless interface between remotely located customers and wired public networks.
12. SR Telecom's current product families consist of SR500, Airstar and Symmetry ONE. These products generate the Petitioner's revenues. Its products have been deployed in over 110 countries, connecting nearly two million people.
13. SR Telecom has been developing its next generation product, Symmetry MX to replace its current product offerings which are in their "end of life" phase due to technological advances. There have been virtually no commercial sales of Symmetry MX to date, and management only expects Symmetry MX to generate meaningful revenues in the first half of fiscal 2008.
14. Symmetry MX is based on the WiMAX wireless communications standard. The Petitioner is of the view that the Symmetry MX product line represents the future of SR Telecom, since the WiMAX protocol on which this platform is based will likely become the next industry standard.
15. Prior to May 2006, SR Telecom was manufacturing its products internally. However, it now outsources the manufacturing of all products to various contract manufacturers.
16. SR Telecom's customers consist of telecommunications operators who provide services in countries and regions which have limited wired telecommunications infrastructure, or where the deployment of a wired telecommunications infrastructure would not be feasible or cost effective. The majority of SR Telecom's business development opportunities are in emerging or third-world countries.

17. SR Telecom entered into an agreement with a third party, Eden Rock Wireless LLC, to outsource certain development activities for its Symmetry MX product line. This arrangement contemplates that the intellectual property developed by this development subcontractor will revert to SR Telecom and that they will also provide the necessary training to SR Telecom employees.
18. As at October 31, 2007, SR Telecom had approximately 243 employees, on a consolidated basis. Since filing for CCAA, SR Telecom has made several head-count reductions, which is more fully discussed below.

#### **HISTORICAL RESULTS AND EVENTS LEADING TO CCAA**

19. Between 1999 and 2003, the Petitioner experienced a steady deterioration in its business, manifesting itself through a drop in consolidated revenues from \$193MM in 1999 to \$127MM in 2003. During the same period, SR Telecom accumulated pre-tax losses from operations in excess of \$141MM, a portion of which are attributed to the losses and debt obligations of a wholly owned subsidiary, Comunicaciones Rurales y Telefonía SA, which it has since disposed of.
20. To address its capital and operational requirements, SR Telecom concluded a number of public and private issuances of common shares between 2000 and 2004 raising a total of approximately \$140 million.
21. Since 2004, the Petitioner has continued to experience a decrease in its business, such that consolidated sales have decreased from approximately \$99MM in fiscal 2004 to \$87MM in fiscal 2006. For fiscal 2007, SR Telecom anticipates sales of approximately \$73MM.
22. The table below summarizes the Petitioner's consolidated operating results for the fiscal year's ending December 31, 2004, 2005, 2006 and for the 10 months ending October 31, 2007.

**SR TELECOM INC.**  
**Consolidated Income Statement**  
(In 000's, CAD\$)

	10 Months Ended October 31, 2007 (1)	Year Ended December 31, 2006 (2)	Year Ended December 31, 2005 (2)	Year Ended December 31, 2004 (2)
<b>Revenue</b>				
Gross Sales	\$ 68,395	\$ 87,455	\$ 76,384	\$ 99,074
Cost of Sales	<u>62,555</u>	<u>69,351</u>	<u>47,412</u>	<u>55,894</u>
<b>Gross Profit</b>	<u>5,840</u>	<u>18,104</u>	<u>28,972</u>	<u>43,180</u>
Operating Expenses	37,206	66,997	57,012	63,356
Research & Development	12,328	20,954	21,600	30,159
Restructuring Charges	<u>1,352</u>	<u>31,515</u>	<u>17,200</u>	<u>7,701</u>
<b>EBITDA</b>	<u>(45,046)</u>	<u>(101,362)</u>	<u>(66,840)</u>	<u>(58,036)</u>
Finance Charges	14,634	14,860	19,385	8,083
Other Gain/(Loss)	<u>7,924</u>	<u>543</u>	<u>3,972</u>	<u>10,281</u>
<b>Loss from Continuing Operations before taxes</b>	<u>\$ (51,756)</u>	<u>\$ (115,679)</u>	<u>\$ (82,253)</u>	<u>\$ (55,838)</u>

(1) As per SR Telecom Inc's internal, unaudited consolidated financial statements.  
(2) As per SR Telecom Inc's audited annual consolidated financial statements.

23. Sales have dropped from \$99MM in 2004 to a projected level of \$73MM for fiscal 2007. This decline is primarily attributable to:
- a) a continued decline in demand for its current offering of products;
  - b) lost sales due to delays in the development and commercialization of Symmetry MX;
  - c) an erosion of customer confidence as a result of SR Telecom's unstable financial situation; and
  - d) a precarious liquidity position resulting in the inability of the Petitioner to source components and finished goods on a timely basis and under favorable terms.
24. SR Telecom's gross margins have declined from 44% in F2004 to 9% for the 10 months ending October 31, 2007. This significant erosion is attributable to:
- a) delays, inefficiencies and costs encountered in the transition and implementation of the outsourcing of SR Telecom's manufacturing operations;



- b) the inability to negotiate volume discounts due to erratic demand for components and finished goods;
  - c) significant penalties imposed by SR Telecom's major customers due to delivery delays; and
  - d) obligations by SR Telecom to repurchase excess and obsolete component inventories from its contract manufacturers.
25. In addition to the aforementioned factors, the Petitioner's operating losses have been caused by:
- a) an onerous corporate infrastructure that could not be absorbed by existing sales volume and gross margins;
  - b) significant restructuring costs, mainly due to write-offs and write-downs of long-term investments and capital assets;
  - c) significant financing charges incurred as a result of sub-optimal usage of working capital.
26. Since the beginning of 2006, the Petitioner has taken numerous steps to restructure its affairs, rationalize its operations and improve its liquidity. The following specific measures were, inter alia, taken:
- a) In the summer of 2006, SR Telecom engaged Serge Fortin as Chief Executive Officer and Marc Girard as Chief Financial Officer, both knowledgeable and experienced managers in the telecommunication industry;
  - b) SR Telecom redeemed the balance of its outstanding convertible secured debentures in March 2007, which released approximated \$4.7MM of cash which had been reserved pursuant to the terms of the convertible secured debentures;
  - c) SR Telecom completed the sale of its Chilean subsidiary, Comunicaciones Rurales y Telefonía SA, in February 2007, resulting in the reduction of approximately \$28MM in debt from SR Telecom's consolidated balance;
  - d) SR Telecom completed the sale and leaseback of its head office premises, located in Montréal, Quebec, generating proceeds of approximately \$8.6MM;

- e) SR Telecom wound-down the operations of its Thailand subsidiary;
  - f) Instituted several working capital corrective measures, in particular, the accelerated collection of certain accounts receivable from major customers; and
  - g) Since the beginning of 2007, SR Telecom began a process to further centralize and rationalize its operations, resulting in the closure of certain subsidiaries/brand offices and approximately 105 headcount reductions (up to the date of the CCAA filing).
27. Notwithstanding the aforementioned internal restructuring measures taken by the Petitioner since 2006, SR Telecom has continued to incur significant losses and deplete its cash reserves.
28. To continue funding its operations and the development of Symmetry MX, SR Telecom raised additional debt during the last 12 months:
- In December 2006, SR Telecom obtained a convertible term loan in the amount of \$20 million from several of its existing lenders, secured by a third ranking charge on all of SR Telecom's moveable and immovable property.
  - In July 2007, SR Telecom obtained a term loan in the amount of \$35 million from certain existing lenders and a new lender, secured by a first ranking charge on all of SR Telecom's movable and immovable property.
29. The Petitioner's management has come to the conclusion that the long term viability of the Petitioner's operations is uncertain under the current cost and revenue structure. As such, in September 2007, SR Telecom 's Board of Directors decided to put the business up for sale.
30. On November 18, 2007, SR Telecom's Board of Directors resolved to file for protection under CCAA in order to provide a framework to continue restructuring its operations as well as to seek one or more strategic buyers to acquire all or part of the business/assets on a going concern basis.

31. As part of its ongoing activities under CCAA protection, the Petitioner will focus on:
- a) its sale process for the business assets;
  - b) the preservation of its investment in the development of Symmetry MX by continuing development activities and preparing commercialization for an eventual purchaser;
  - c) continuing rationalization of the Petitioner's cost structure, including additional headcount reductions; and
  - d) continuing deliveries to certain major customers in order to preserve goodwill and enhance the realizable value of receivables and inventories.
32. The decision by the Petitioner to avail itself of the protection under the CCAA in order to complete the sale process is justified by the following factors:
- a) the protection and flexibility afforded by the CCAA will allow SR Telecom to preserve its business as a going concern and thereby safeguard the massive investment in time, energy and capital that has been dedicated to the development of Symmetry MX;
  - b) SR Telecom requires time and protection from its creditors in order to continue restructuring including the completion of the sale process and the development of a plan of arrangement with its creditors;
  - c) the restructuring envisioned by SR Telecom may involve the termination of certain agreements, including employment agreements, to which SR Telecom is a party.
33. The Petitioner has sufficient cash balances on hand to fund operating expenses during the period covered by the extension requested.

## **SALE PROCESS**

34. The Petitioner's sale process began in late September 2007 with the engagement of Lazard & Frères LLC ("Lazard") as its exclusive financial advisor. Lazard is assisting and advising in the identification of potential buyer(s) as well as will participate in the negotiation and conclusion of a sale agreement. The intention is to sell all of the product lines and operating assets to one or more purchasers on a going concern basis.
35. Certain of the terms and conditions of the Lazard engagement were modified by mutual consent following the Initial Order. The Lazard Agreement was reviewed and approved by the Court on December 10, 2007.
36. The Petitioner's management has prepared a comprehensive "data-room", containing various financial and non-financial information required by potential buyers to perform a due diligence process and ultimately make an offer for the operating business/assets of SR Telecom.
37. The Petitioner is currently finalizing an agreement with Duons Inc., a company located in France for the sale of its repair and maintenance activities including any related equipment and inventory for its Airstar, SR 500, SR 100 product lines. The agreement also provides for the joint manufacturing of the aforementioned product lines by SR Telecom and Duons Inc.
38. SR Telecom and Duons Inc. are also finalizing a service agreement for the Symmetry One product line.

## **OPERATIONAL AND OTHER RESTRUCTURING MEASURES**

39. Since the filing for CCAA, the Petitioner has taken several additional operational and financial restructuring initiatives.
40. The Petitioner has reduced its head count by 51 from 276 (including 33 consultants) to 225 (including 28 consultants), resulting in gross payroll savings of approximately \$450K per month. SR Telecom has notified all of its current and past employees that effective on the date of CCAA it will not be paying any severance or other termination pay entitlements, other than unpaid wages and vacation pay due upon termination.
41. In order to secure the cooperation and assistance of SR Telecom's key employees during the restructuring process and maintain the going concern value of the business, management has put forth a Key Employee Retention Program ("KERP"). The KERP applies to a select group of identified key employees who are

experienced and knowledgeable with the Petitioner's business and operations, who possess unique and vital technical skills and knowledge of the new WiMAX technology and accordingly are important contributors to the Petitioner's successful restructuring. The KERP was approved by the Court on December 10, 2007.

42. SR Telecom has negotiated accelerated payment terms with two of its major customers resulting in the collection of accounts receivable due as at the date of the CCAA. These cash receipts have improved the Petitioner's cash position.
43. The Petitioner has been in discussions with certain of its contract manufacturers in order to ensure the continued supply of equipment and components and negotiated terms which would allow SR Telecom to recover over time (based on units purchased) the advances made to the contract manufacturers.
44. The Petitioner is monitoring the use of its cash on a daily basis to ensure it is only used to fund necessary operating expenses and only to procure component parts and finished goods required to fill confirmed purchase orders for customers with whom accelerated payment terms have been negotiated.

#### **FINANCIAL POSITION**

45. The Petitioner's summary estimated balance sheet as at October 31, 2007 and as at December 7, 2007, is presented on the next page. The December 7, 2007 balance sheet includes the most up-to-date numbers available for those assets and liabilities that fluctuate continuously.

**SR TELECOM INC.**  
**Estimated Balance Sheet**  
(In 000's, CAD\$)

	As at Oct 31, 2007 (1)	Estimated as at Dec. 31, 2007 (2)
<b>CURRENT ASSETS</b>		
Cash & Cash Equivalents	\$ 20,190	\$ 18,140
Restricted cash	1,050	4,942
Trade Accounts Receivable	8,734	1,981
Inventory	15,907	14,867
Other Current Assets	7,961	7,961
Due From Sub / Affiliate	26,793	26,793
<b>Current Assets</b>	<b>80,635</b>	<b>74,684</b>
<b>LONG-TERM</b>		
Long Term Account Receivable	4,640	6,200
Investments - Sub	15,283	15,283
Fixed Assets (Net)	8,624	8,624
Intellectual Property, net	20,329	20,329
Other LT assets	329	329
<b>TOTAL ASSETS</b>	<b>129,840</b>	<b>125,449</b>
<b>CURRENT LIABILITIES</b>		
A/ P & Accrued Chgs	\$ 20,032	\$ 12,917
Deferred Revenue	1,394	1,394
Deferred Gain Building	3,023	3,023
<b>Current Liabilities</b>	<b>24,449</b>	<b>17,334</b>
<b>LONG-TERM</b>		
Term Loan (First Ranking)	36,773	37,555
Long Term Debt Facility - (Second Ranking)	49,651	52,105
Convertible Term Loan - (Third Ranking)	22,270	22,324
Debentures	270	-
<b>TOTAL LONG TERM LIABILITIES</b>	<b>108,964</b>	<b>111,984</b>
<b>S/H EQUITY</b>	<b>(3,573)</b>	<b>(3,869)</b>
<b>Liabilities &amp; S/H Equity</b>	<b>\$ 129,840</b>	<b>\$ 125,449</b>

(1) As per SR Telecom Inc's October 31, 2007 internal, unaudited financial statements.

(2) Estimated based on SR Telecom Inc's books and records and discussions with Management.

46. The Petitioner's cash balances as at December 7, 2007 amount to approximately \$18.1MM, net of \$800K of restricted cash and \$4.2MM of reserved cash. Restricted cash consists of \$500K of letters of credit to cover the Petitioner's future obligations under supply agreements and \$300K restricted by HSBC to cover bi-weekly deductions at source ("DAS") obligations. Reserved cash includes \$2.58MM representing the Petitioner's accrued vacation pay obligation for all employees and \$1.62MM of accrued retention bonuses (inclusive of applicable payroll taxes and other employer costs). The \$1.62MM earmarked for retention bonuses will be transferred to the Monitor and placed in a trust account.
47. The Petitioner's trade accounts receivable as at December 7, 2007, amount to approximately \$2MM, net of provisions for doubtful accounts, known offsets and estimated discounts for early payment. The net accounts receivable balance is assumed to be collectible, provided that SR Telecom continues to honour supply contracts with its major customers.
48. The Petitioner's long term accounts receivable as of December 7, 2007, amounts to approximately \$6.2MM, and represent holdbacks in favour of a major customer to ensure that the Petitioner honours its ongoing obligations for service, repair, maintenance, availability of spare parts and warranty coverage. This holdback is payable in 2009. In the event the Petitioner ceases operations, it is uncertain if the long term receivable will be recoverable.
49. The Petitioner's inventories as of November 30, 2007, amount to approximately \$14.8MM of which approximately \$6.3MM are located on SR Telecom's premises and approximately \$8.5MM are located at the premises of certain contract manufacturers.
50. SR Telecom has prepaid amounts totaling approximately \$8MM representing for the most part deposits held by contract manufacturers. Management is in the process of negotiating purchase price and procurement terms which would allow for SR Telecom to recover some of the deposits by applying them against the value of finished goods received.
51. The amounts due from subsidiaries approximates \$27MM. As previously mentioned, the Petitioner has consolidated most of its operations within the parent company. As such, all the subsidiaries are, for all intents and purposes, inactive and without any realizable assets of any significant value.
52. The Petitioner's fixed assets are comprised of specialized equipment, furniture and fixtures.

53. The Petitioner carries its Intellectual Property on its books at a value of approximately \$20M. The realizable value of intellectual property will ultimately be determined based on the results of the sale process.
54. The balance of accounts payable and accrued charges as at December 7, 2007, include trade payables of \$3.5MM (as reflected in the creditors list filed with this Court) and accrued component repurchase obligations of \$9.5MM. The balance does not include accrued vacation pay of \$3.0MM since an equivalent amount has been reserved out of operating costs, nor does it include severance pay.
55. Due to the significant operating losses realized over the years, SR Telecom has approximately \$300MM of tax loss available for carry forward. These tax losses may be monetized through a sale transaction. Given the uncertainty associated with the recoverable amount of tax losses, no amount has been recognized in the Petitioner's balance sheet.
56. The Petitioner's long term debt consists of:
- a) \$37.5MM (inclusive of accrued interest) advanced in July 2007 and secured by a first ranking charge on all of the Petitioner's assets;
  - b) \$52.1MM advanced in December 2006 as a convertible term loan, benefiting from a second ranking security on all of the Petitioner's assets; and
  - c) \$22.3MM advanced in May 2005 as a convertible term loan, benefiting from a third ranking security on all of the Petitioner's assets.
57. The Monitor has recently received a copy of the loan and security documents relating to the above noted debt. The Monitor's legal counsel has been mandated to provide an opinion on these documents.

#### **LIQUIDITY POSITION**

58. In conjunction with its motion for the granting of the Initial Order, the Petitioner filed with this Court (as appendix "P-4" to the motion), a Projected Cash Flow statement for the period ending March 31, 2008 (Appendix "B"). Revised cash flow projections are being submitted herewith as Appendix "D".



59. As at December 7, 2007, the Petitioner's cash balances amounted to \$18.1MM, as compared to the projected balance of \$9MM as at the same date. The \$9MM favorable variance is attributable to the following:
- Cash receipts in excess of projected amounts by \$5MM;
  - Cash disbursements inferior to projected amounts by \$3.8MM
  - Reduction in restricted cash by \$250K due to the expiry of a letter of credit which was not anticipated;
60. For more detailed explanations of the above noted variances, we refer you to the "Cash Flow – Actuals vs Budget" schedule and variance analysis included as Appendix "C".
61. Since the filing of the CCAA, the Petitioner has incurred additional operating liabilities in the amount of \$170K. As the Petitioner is on a COD basis with most of its suppliers, these unpaid amounts are outstanding mainly due to timing differences.

#### **CASH FLOW PROJECTIONS**

62. The Petitioner presents to this Court its revised Cash Flow Projections for the period from December 10, 2007 to March 31, 2008 (Appendix "D").
63. The assumptions underlying the revised Cash Flow Projections (Appendix "E") have been modified from the assumptions underlying the previous Cash Flow Projections (Appendix "B") to reflect the fact that, due to the Petitioner's successful negotiations with its two major customers and contract manufacturers, it has maintained operations and will continue to deliver goods on confirmed purchase orders and procure the requisite components and finished goods.
64. Based on the revised Cash Flow Projections, the Petitioner will have sufficient cash to fund its operations through March 31, 2008 during which period it hopes to successfully find a buyer and consummate a sale transaction. Should such a sale process be delayed beyond March 31, 2008, the Petitioner projects a cash balance of \$7.5MM at the end of March 2008 which, depending on the level of operations, could sustain the business for 3 additional months.

## ACTIVITIES OF THE MONITOR

65. On November 28, 2007, in accordance with paragraph 24 (a) of the Initial Order, the Monitor sent to all of the Petitioner's known creditors, a notice advising them of the granting of the Initial Order, a copy of the Initial Order and a list of creditors.
66. The Monitor attended numerous meetings and conference calls with the Petitioner's management and Board of Directors, to keep them apprised of material developments and to seek their views and input in the restructuring process.
67. The Monitor attended several meetings and discussions with the Petitioner's management and its secured lenders (and their legal counsel) to apprise them of material developments and to seek their views and input in the restructuring process.
68. The Monitor has addressed numerous queries from the Petitioner's suppliers, contract manufacturers and other unsecured creditors.
69. The Monitor has reviewed the Petitioner's financial affairs and results.
70. The Monitor has reviewed the Petitioner's weekly cash flow projections attached to the Motion for the Issuance of the Initial Order and to this Report.
71. The Monitor was kept informed on negotiations with certain contract manufacturers to secure the requisite supply of components and finished goods and continue supplying SR Telecom's major customers.
72. The Monitor was kept informed of the ongoing negotiation with the Petitioner's major customers in order to secure the advance payment of its accounts receivable as well as accelerated payment terms for future sales.
73. The Monitor has participated in the Petitioner's discussions with Lazard, leading to a revised engagement with respect to their mandate. The Monitor also supported the Petitioner's motion to have the Lazard engagement agreement approved by this Court.
74. The Monitor has retained Stikeman Elliott LLP as its independent legal counsel.

75. The Monitor has been kept informed on the on-going negotiations with the potential purchaser of the repair and maintenance activities, and the Symmetry One service agreement.
76. The Monitor is involved in the Petitioner's review of its subsidiaries financial position to identify any potential recoveries or exposure.
77. The Monitor has reviewed the Petitioner's KERP and in this regard has supported the Petitioner's motion to obtain the Court's approval thereto.

#### **DIRECTORS AND OFFICERS CHARGE**

78. SR Telecom had an outstanding vacation pay obligation of approximately \$3.0MM as at the date of filing. In order to secure its directors and officers against the potential liability associated with the accrued vacation pay liability, the Initial Order created a Directors and Officers charge in the amount of \$4.0MM. In addition, the Petitioner has reserved funds in the amount of \$3.0MM from its operating bank account.
79. In accordance with the Court order rendered on December 10, 2007, relating to the KERP, the Petitioner is in the process of transferring an amount of approximately \$1.62MM (inclusive of applicable payroll taxes and other employer costs) from its operating bank account to a trust account managed by RSM Richter Inc. in trust re SR Telecom Key Employee Retention.

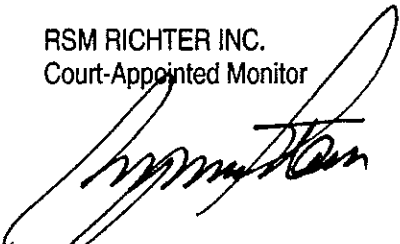
#### **REQUEST FOR EXTENSION**

80. At the present time, it is premature for the Petitioner to devise a plan of arrangement and present same to its creditors. The Petitioner is presently in the beginning stages of its restructuring process and any plan of arrangement will be contingent on the success of the sale process.
81. The Petitioner will require additional time in order to continue canvassing the market, identify a potential purchaser, negotiate the terms of a transaction and close a sale.
82. The Petitioner has and is continuing deliveries of product to its two major customers. The Petitioner requires additional time in order to continue supplying these customers to meet existing commitments.

- 83. The Petitioner has been paying for any and all approved goods and services received subsequent to the date of filing the CCAA on a COD basis with only a few exceptions. Any outstanding amounts are minimal, and will be paid forthwith.
  
- 84. The Petitioner's management has, and continues to act in good faith, with due diligence and has been cooperating with all stakeholders involved in this process, including but not limited to the Monitor, the lenders, SR Telecom's other creditors and its Board of Directors.
  
- 85. The Monitor is requesting that the Court grant the Petitioner an extension of the Initial Order until February 29, 2008;
  
- 86. 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 sale process and present a plan of arrangement to its creditors.
  
  - c) The Petitioner has not prejudiced its creditors as it has paid for liabilities incurred since the date of filing.

DATED AT MONTREAL, this 14<sup>th</sup> day of December, 2007.

RSM RICHTER INC.  
Court-Appointed Monitor



Per: Raymond Massi, CA

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

SUPERIOR COURT  
(Commercial Division)  
(Sitting as a court designated pursuant to the  
*Companies' Creditors Arrangement Act*,  
R.S.C. 1985, c. C-36)

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No.: 500-11-

**IN THE MATTER OF THE PLAN OF  
COMPROMISE OR ARRANGEMENT OF:**

**SR TELECOM INC.**, a legal person duly constituted under the *Canada Business Corporations Act*, having its head office and principal place of business at 8150 Trans-Canada Highway, in the city of Saint Laurent, district of Montréal, Province of Québec, H4S 1M5;

**Petitioner**

- and -

**RSM RICHTER INC.**, a legal person duly constituted under the laws of Québec, having its principal place of business at 2 Place Alexis-Nihon, in the city and district of Montréal, Province of Québec, H4T 1G1;

**Monitor**

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**MOTION FOR AN INITIAL ORDER PURSUANT TO SECTIONS 4, 5 AND  
11 OF THE COMPANIES' CREDITORS ARRANGEMENT ACT ("CCAA")  
(R.S.C. 1985 c. C-36).**

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TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN  
COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTRÉAL,  
PETITIONER RESPECTFULLY SUBMITS THE FOLLOWING:

**CORPORATE STRUCTURE**

1. SR Telecom Inc. ("SRT" or "Petitioner") was incorporated under the *Canada Business Corporations Act* on February 17, 1981, the whole as it appears from a copy of the CIDREQ report filed in support of the present Motion as Exhibit P-1;

2. In 1986, SRT completed an initial public offering in Canada. Its common shares trade on the Toronto Stock Exchange under the symbol "SRX". As at today's date, SRT has 754,992,769 common shares issued and outstanding;
3. SRT is a reporting issuer, or its equivalent, in all Canadian Provinces and the Northwest Territories and is a registrant with the United States Securities and Exchange Commission ("SEC"). However, on November 6, 2007, SRT commenced the process to terminate the registration of its common shares with the SEC;
4. SRT's head office and principal place of business are located at 8150 Trans-Canada Highway, in the city of Saint Laurent. It also maintains regional sales offices (through various foreign subsidiaries) around the world, notably in the United States, France, Mexico and the Philippines, as well as a research and development centre in Redmond, Washington.
5. None of said foreign subsidiaries are seeking this Honourable Court's protection at this time, although their rights in this respect are expressly reserved;
6. All of SRT's facilities are occupied pursuant to lease agreements;

#### **OVERVIEW OF OPERATIONS**

7. SRT's core business is the design, marketing and sale of Broadband Wireless Access ("BWA") products. Its products have been deployed in over 110 countries, connecting nearly two million people;
8. SRT's current product families are SR500, Airstar, SymmetryONE (the "Legacy Products") and SymmetryMX;
9. SRT's products and services provide a wide range of applications such as voice and high-speed data services to residential and business end-users in urban or suburban areas; connection of mobile phone base stations to the core telecommunications network; data networks for wireless internet service providers that deliver broadband, wireless internet access; communications networks for Supervision, Control and Data Acquisition systems that monitor large industrial installations; and affordable telecommunications services for rural and isolated regions;
10. As more detailed below, effective May 2006, SRT ceased all manufacturing activities, and is now outsourcing the manufacturing of all of its products;
11. Prior to its sale on February 1, 2007, SRT also operated a telecommunications service provider business in Chile through its indirect wholly owned subsidiary, *Comunicaciones Rurales y Telefonía S.A.* ("CTR");
12. SRT's customer base includes many major businesses who rely on SRT's products to run and manage their telecommunications and data infrastructure.
13. As at October 31, 2007, SRT had approximately 240 employees, on a consolidated basis;

14. SRT has been focussing its resources on developing, delivering and deploying WiMAX-certified broadband wireless access systems. To that end, its labour force includes a full time staff of approximately 115 highly specialized engineers and technicians dedicated to research and development (“R&D”) and SRT invests roughly 20% of its revenues in R&D on an annual basis;
15. WiMAX is a standards-based technology enabling the delivery of wireless broadband access as an alternative to wired broadband like cable and DSL. WiMAX provides fixed, nomadic, portable and, soon, mobile wireless broadband connectivity without the need for direct line-of-sight with a base station;
16. For the reasons set forth below, SRT’s management is of the view that in the absence of the restructuring proposed herein, its WiMAX-certified broadband wireless access systems are not expected to generate significant revenue;

**DESCRIPTION OF PETITIONER’S FINANCIAL SITUATION**

17. Attached hereto as Exhibit P-2 is SRT’s Annual Report for the year 2006 (the “Annual Report”). In addition, SRT’s unaudited interim consolidated financial statements as at September 30, 2007 (the “2007 Q3 Financials”) are attached as Exhibit P-3;
18. As appears from the 2007 Q3 Financials, Exhibit P-3, as at September 30, 2007, SRT owned assets with a book value of approximately \$95.8 million;
19. As appears from the 2007 Q3 Financials, Exhibit P-3, as at September 30, 2007, the most significant categories of assets were:
  - a) Cash and Cash Equivalents - \$25.8 million;
  - b) Intangible Assets, net - \$20.9 million;
  - c) Inventory - \$14.3 million;
  - d) Current Accounts Receivable, net - \$12.7 million; and
  - e) Property, Plant and Equipment - \$9 million;
20. As appears from the 2007 Q3 Financials, Exhibit P-3, as at September 30, 2007, SRT’s total liabilities on a consolidated basis were approximately \$140.2 million (including the equity component of the Credit Facility and of the Convertible Term Loan, each as defined and discussed in more detail below);
21. As appears from the 2007 Q3 Financials, Exhibit P-3, as at September 30, 2007, the principal liabilities (excluding any contingent liabilities), on a consolidated basis were:
  - a) Secured Credit Facility - \$51.1 million (including the equity component, discussed in more detail below);
  - b) Secured Convertible Term Loan - \$21.8 million (including the equity component, discussed in more detail below);

- c) Secured Term Loan - \$36.2 Million; and
  - d) Accounts Payable and Accrued Liabilities – \$25.1 million;
22. In addition, SRT has credit facilities with HSBC Bank Canada for a maximum amount of \$1,300,000 available for issuing letters of credit. All outstanding letters of credit are secured by term deposits in an amount at least equivalent to the aggregate amount thereof;
23. As appears from the 2007 Q3 Financials, Exhibit P-3, there is a substantial shareholder deficit of approximately \$177.2 million, since the capital restructuring which occurred in 2005, the whole as described more fully below;
24. SRT has been incurring significant operating losses, notably, a consolidated net loss of \$49.3 million in the first 9 months of 2007, the whole as appears from the 2007 Q3 Financials, Exhibit P-3, as well as consolidated net losses of \$115.6 million for the fiscal year ending December 31, 2006 and \$91.2 million for the 11 months ended November 30, 2005 and the 1 month ended December 31, 2005, the whole as appears from the Annual Report, Exhibit P-2;
25. These losses are due mainly to:
- a) lower than expected sales of SRT's Legacy Products combined with insufficient margins to cover expenses and overhead;
  - b) delays, difficulties and costs encountered in the transition and implementation of the outsourcing of SRT's manufacturing operations, which resulted in late deliveries, imposition of performance related penalties, poor customer service and difficulties in procurement;
  - c) the delay in the marketing and commercialization of its WiMAX-based products; and
  - d) the inability of SRT to secure firm orders due to the continuous erosion of customer confidence as a result of its precarious financial situation;
26. In addition, the commercialization of WiMAX as a standard in the industry is taking longer than originally anticipated;
27. Moreover, SRT has incurred significant restructuring costs and financing charges;
28. In the context of the ongoing restructuring described below, there have been several important changes to SRT's financial situation. In particular, since December 31, 2006:
- a) SRT completed the sale of its Chilean subsidiary, CTR, in February 2007;
  - b) SRT completed the conversion/redemption of the balance of its convertible secured debentures in March 2007;
  - c) SRT completed the sale and leaseback of its premises, located in Saint Laurent, Quebec, in April 2007;



- d) SRT took steps to centralize and rationalize its operations, including commencing the elimination of 75 positions in April 2007; and
- e) SRT obtained the July 2007 Term Loan (as defined below);

The impact and rationale of these and other restructuring transactions are described more fully below;

- 29. Notwithstanding the steps taken by SRT to date to restructure its operations and finances, discussed in more detail below, SRT has continued to incur significant operating losses and SRT's current operational costs have placed SRT in a precarious financial situation;
- 30. As at today's date, SRT's financial position continues to deteriorate such that SRT is expecting to face a critical liquidity crisis in the short term, its unrestricted cash reserves (including the remaining proceeds of the July 2007 Term Loan) having decreased to approximately \$18 million;
- 31. SRT has conducted a cash flow analysis to determine the amounts required to finance its operations for the next 30 days, the whole as appears from said cash flow projections, attached in support of the present Motion as Exhibit P-4 (the "Cash Flow Projections");

### **THE ONGOING RESTRUCTURING OF SRT**

#### **Background – Prior to 2005**

- 32. In 1998, SRT issued \$75 million of 8.15% senior debentures (the "8.15% Debentures") to the public in order to reduce its then outstanding borrowings under its credit facilities and to fund its operations, including CTR;
- 33. From 1999 to 2004, SRT began to experience significant operating losses due to decreased demand for its core products and increased financing and debt servicing obligations with respect to CTR;
- 34. To address its capital requirements, SRT concluded numerous public and private issuances of common shares between 2000 and 2004 raising a total of approximately \$140 million during such period;
- 35. During this period, SRT reduced its workforce from 1015 to 554 employees (not including CTR's workforce);

#### **Financial Restructuring under Previous Management**

- 36. In April 2005, SRT did not have sufficient funds to repay the 8.15% Debentures at maturity and was unable to otherwise refinance them. It therefore entered into a restructuring term sheet with the major holders thereof and the lenders to CTR providing for, *inter alia*, (a) the provision of a secured credit facility, (b) the restructuring of the loans to CTR, and (c) the exchange of the 8.15% Debentures for new 10% secured convertible debentures due October 2011 (the "10% Debentures");

37. As part of such financial restructuring, on May 19, 2005, SRT entered into a credit agreement with a syndicate of lenders (the "Lenders") from among the 8.15% Debenture holders and BNY Trust Company, as Agent, providing for a USD\$39.6 million senior secured credit facility (the "Credit Facility"), secured by a first ranking hypothec on all of SRT's moveable and immovable property. The Credit Facility was fully drawn as at December 31, 2005. At this time, SRT also executed amended loan documents with CTR's lenders;
38. In August 2005, SRT completed the exchange of the quasi-totality of its outstanding 8.15% Debentures for approximately \$75.5 million of 10% Debentures;
39. In November 2005, \$10 million in principal amount of 10% Debentures were converted into common shares in accordance with their terms, following which, the Lenders, or, in some cases, entities related to the Lenders, became significant shareholders of SRT;
40. In February 2006, SRT completed a \$54.0 million private placement of common shares with certain Lenders and other holders of 10% Debentures, and converted approximately \$64.7 million principal amount of 10% Debentures plus interest paid in kind into common shares;

#### Operational Restructuring under Previous Management

41. In addition to the financial restructuring referred to above, SRT also took several important steps to restructure its operations;
42. In April 2005, SRT engaged a chief restructuring officer ("CRO") and thereafter underwent further changes in the composition of its senior management team;
43. Effective December 1, 2005, SRT sold substantially all of the assets and the operations of its subsidiary in France (while preserving its local sales office), as well as its Australian subsidiary. With this transaction, SRT effectively disposed of its "swing" product line and related operations;
44. Between August 2005 and May 2006, SRT completed arrangements to outsource all of its manufacturing operations, and proceeded to close its manufacturing facilities;
45. During this period, SRT was able to negotiate the settlement of the majority of its suppliers' outstanding claims;
46. During the period from January 1, 2005 until the Summer of 2006, SRT's workforce (excluding CTR) was further reduced from 554 to 350 employees, including in the context of the aforementioned outsourcing arrangements;

#### Current Difficulties and Restructuring Initiatives

47. In the summer of 2006, SRT engaged Serge Fortin as Chief Executive Officer ("CEO") and Marc Girard as Chief Financial Officer ("CFO"), and the new management team immediately began taking steps to address SRT's balance sheet, supply chain and WiMAX product development;

48. The new management team immediately faced (and continues to face) the significant challenge of attempting to preserve the potential benefit of all of the resources that have been (and continue to be) invested in the development of SRT's WiMAX technology, in the context of the continuous need to address liquidity issues;
49. SRT also undertook several working capital correction measures to improve the collection of its receivables in order to ensure the availability of additional cash, needed to fund its capital-intensive operations;
50. On December 16, 2006, SRT obtained a convertible term loan (the "Convertible Term Loan") in the amount of \$20 million from several of the Lenders, secured by a hypothec on substantially all of SRT's moveable and immovable property, the whole subordinate only to the Credit Facility;
51. On February 1, 2007, SRT completed the sale of its Chilean telecommunications service provider subsidiary, CTR, resulting in the reduction of approximately US\$28 million of debt from SRT's consolidated balance sheet of which US\$12 million was directly guaranteed by SRT and was secured by a hypothec against all of SRT's assets, the whole as appears from a copy of a news release dated February 1, 2007, attached hereto as Exhibit P-5;
52. On March 6, 2007, SRT redeemed the balance of its outstanding 10% Debentures, which had not otherwise been exchanged for common shares at the election of the holders thereof, thereby simplifying SRT's financial structure by eliminating the security related thereto and by freeing up approximately \$4.7 million in restricted cash on its balance sheet, the whole as appears from a news release, dated March 6, 2007, attached hereto as Exhibit P-6;
53. In addition, in March 2007, SRT retained the services of Genuity Capital Markets, an investment banking firm, as its financial advisor, to, *inter alia*, assist it in its efforts to obtain additional financing, through debt or equity;
54. On March 29, 2007, SRT announced the sale and leaseback of its property and building in Saint Laurent, Quebec for proceeds of \$8.6 million, the whole as appears from a news release, dated March 29, 2007, attached hereto as Exhibit P-7. The sale closed on April 12, 2007;
55. On April 16, 2007, SRT announced that as a part of its ongoing restructuring, it would begin winding up its Legacy Products and centralizing its activities, resulting in the termination of 75 employees, the whole as appears from a news release, dated April 16, 2007, attached hereto as Exhibit P-8;
56. On May 10, 2007 SRT announced that in view of its current financial situation, its board of directors decided to review all of its options, including the sale of some or all of its assets, attracting a strategic investor to assist in the development of the business, and further restructuring its operations, the whole as appears from a news release, dated May 10, 2007, attached hereto as Exhibit P-9.

57. In April and May 2007, Genuity Capital Markets introduced management to a number of new potential targeted investors, having particular knowledge and experience in telecom, technology and special situations. Unfortunately, these efforts bore no fruit;
58. In light of SRT's critical financial situation, SRT commenced discussions and negotiations with certain of its Lenders with a view to obtain additional financing;
59. In July 2007, SRT entered into an agreement with certain of its Lenders (including a new lender, hereafter included in the definition of "Lenders"), pursuant to which a term loan in the amount of \$35 million, secured by a first ranking charge, was advanced to SRT (the "July 2007 Term Loan");
60. Pursuant to the July 2007 Term Loan, an additional \$10 million would have been available for drawdown for a period of up to one year from closing, subject to certain conditions. Those conditions cannot be satisfied, and accordingly, SRT has been advised that these funds are no longer be available to it;
61. SRT continued its efforts to restructure and rationalize its business operations, the whole with a view to preserving and dedicating its cash reserves to the deployment of its WiMAX products as quickly and efficiently as possible, while transitioning out of its operations related to its Legacy Products;
62. SRT continued to dedicate significant resources to advancing the deployment of its WiMAX product offerings, the first of which became commercially available in the third quarter of fiscal 2007;
63. While there has been and continues to be significant interest in the WiMAX technology being developed by SRT, as a result of SRT's ongoing financial difficulties, SRT has been unable to conclude firm orders for those of its WiMAX products that are or will be commercialized in the short term;
64. Notwithstanding the aforementioned rationalization and restructuring initiatives undertaken by the new management team, SRT continues to incur significant operating losses, and in the absence of additional financing and a restructuring of the balance sheet, SRT will not be able to continue to operate or realize on its sizeable investment in WiMAX technology;
65. In the course of reviewing SRT's financial and operational difficulties and assessing the options available to it in the circumstances, SRT's management and board of directors determined that it would be very difficult for SRT to continue pursuing its WiMAX business on a stand-alone basis;
66. In August 2007, SRT embarked upon a process to identify a strategic purchaser for its business or assets on a going concern basis, and retained the services of Lazard Frères & Co LLC in connection therewith. This process is still ongoing;
67. In light of SRT's continuing difficulties, on November 8, 2007, the board of directors of SRT formed a special committee whose mandate consists of, *inter alia*, overseeing the sale initiative with a view to determining the best outcome for all of its stakeholders,

including its creditors, employees, suppliers and customers, the whole as appears from a news release, dated November 8, 2007, attached hereto as Exhibit P-10;

68. The core of SRT's restructuring plan is to capitalize on the upcoming opportunities that WiMAX presents including through a sale of its assets or business on a going concern basis to a strategic purchaser, who will be able to provide continued employment for the employees, and preserve customer and supplier relationships;
69. Throughout this process, SRT has continued and continues to work closely with its Lenders and has obtained several amendments to its Credit Facility and Convertible Term Loan in order to carry out several of the steps in its restructuring discussed herein, and has also obtained waivers of its obligations to pay cash interest on its Credit Facility;
70. On November 2, 2007, SRT invited all of its Lenders to attend a meeting at its offices on Friday, November 9, 2007, (the "Meeting"). The Meeting took place via conference call, at which three of the six Lenders were in attendance. At the Meeting, SRT's management advised same of, *inter alia*:
  - a) SRT's inability to conclude firm orders in respect of its WiMAX products;
  - b) SRT's current difficult financial situation, including its continuing operating losses, and the corresponding reduction of its cash reserves;
  - c) the status of SRT's current efforts to identify a strategic purchaser for its business or assets on a going concern basis; and
  - d) the likelihood that SRT would be seeking to pursue its restructuring initiatives under the protection of the CCAA, in the short term.
71. Certain of the Lenders advised SRT that they support the strategic review initiated by management and the board of directors including the initiation of the sales process and its analysis of the options available to it in the circumstances. The remaining Lenders have been silent;
72. Since the Meeting, SRT's management has continued its discussions with certain of its Lenders, and has concluded that given SRT's current cash reserves and cash requirements and the absence of any other sources of additional funds, the filing of proceedings hereunder constitutes the most appropriate course of action in the present circumstances;
73. Throughout this process, the board of directors has been actively involved in evaluating all strategic alternatives available to SRT in the circumstances and to that end, have participated in numerous discussions and meetings with management and in the advancement of many of the initiatives outlined above;
74. SRT urgently requires the intervention and protection of this Honourable Court in order to pursue its restructuring and sale initiatives;

**Board of Directors and Employees**

75. Even though SRT intends to comply with all applicable laws and regulations, including the timely remittance of deductions at source and federal and provincial sales tax, SRT's directors are nevertheless concerned about the potential for their personal liability in the context of the present restructuring;
76. A successful restructuring of SRT will only be possible with the continued participation of the SRT's board of directors, management and employees. These personnel are essential to the ongoing viability of SRT's business, and the successful restructuring thereof;
77. Absent the protections sought in the conclusions of the present Motion, SRT is concerned that one or more of their directors and key employees will be forced to resign their posts, which would jeopardize the continuation of the SRT's business operations, and its successful restructuring;
78. Accordingly, SRT requests that the initial order to be granted include the director protections sought in the conclusions of the present motion, namely, the orders related to the indemnification and charge at paragraphs 22 - 23 of the conclusions sought;

**REASONS FOR SEEKING CCAA PROTECTION**

79. In light of the foregoing, SRT seeks relief under the CCAA, as set out in the conclusions of SRT's Motion, for the following reasons:
  - a) SRT is insolvent;
  - b) The protection and flexibility afforded by the CCAA will allow SRT to preserve its business as a going concern and thereby safeguard the massive investment in time, energy and capital that has been dedicated to the development of the WiMAX technology, particularly over the last three years, as well as to preserve the significant investment that has been made to date in the restructuring of SRT, the whole to facilitate the sale of its business as a going concern, in the best interest of all stakeholders;
  - c) SRT requires additional time in order to continue the implementation of the restructuring it has initiated including a sale of its business and assets as a going concern, while developing a plan of arrangement with its creditors, the whole in a manner designed to maximize value for its various stakeholders, including its employees;
  - d) The restructuring envisioned by SRT will likely involve the termination of certain agreements, including employment agreements, to which SRT is a party;
  - e) SRT believes that if it is granted CCAA protection, it will have the working capital it requires to continue its operations on the basis outlined in the Cash Flow Projections, Exhibit P-4, and is confident that the compromise or arrangement which SRT is hoping to propose to its creditors, if accepted by same, will grant far

greater benefits for its stakeholders than any other available alternative, including, in particular, a bankruptcy;

**APPOINTMENT OF MONITOR**

80. SRT requests that this Honourable Court appoint RSM Richter Inc., through its administrator, Mr. Raymond Massi, CA, CIRP, Monitor, in accordance with the provisions of the CCAA and the Order to be rendered by the Court;
81. In addition to any powers or obligations provided for by the CCAA, SRT hereby requests that this Honourable Court grant the Monitor the powers, rights and obligations detailed in the conclusion of this Motion;

**CONCLUSIONS SOUGHT**

82. SRT requires the interim relief requested in this Motion in order to pursue its restructuring and sale initiatives;
83. Considering the urgency of SRT's situation, SRT respectfully submits that the service of a notice of presentation of the present Motion would not serve the interests of their creditors and stakeholders;
84. This Court has the jurisdiction to hear the present Motion on an *ex parte* basis;
85. SRT respectfully submits that this Motion should be granted in accordance with its conclusions;
86. The present Motion is well founded in fact and law;

**WHEREFORE, MAY IT PLEASE THIS HONOURABLE COURT TO:**

1. **GRANT** the Motion.
2. **ISSUE** an order pursuant to Sections 4, 5 and 11 of the CCAA (the "**Order**"), divided under the following headings:
  - Service
  - Application of the CCAA
  - Effective Time
  - Plan of Arrangement
  - Stay of Proceedings against the Petitioner, the Property, the Directors or others
  - Possession of Property and Carrying on Business
  - Restructuring
  - Directors Indemnification and Charge

- Powers of the Monitor
- Priorities and General Provisions Relating to CCAA Charges
- General

#### **Service**

3. **EXEMPT** SR Telecom Inc. (the “**Petitioner**”) from having to serve the Motion and from any notice of presentation.

#### **Application of the CCAA**

4. **DECLARE** that Petitioner is a debtor company to which the CCAA applies.

#### **Effective time**

5. **DECLARE** that from immediately after midnight (Montreal time) on the day prior to the Order (the “**Effective Time**”) to the time of the granting of the Order, any act or action taken or notice given by any Person in respect of the Petitioner, the Directors or the Property (as those terms are defined hereinafter), are deemed not to have been taken or given, as the case may be, to the extent such act, action or notice would otherwise be stayed after the granting of the Order.

#### **Plan of Arrangement**

6. **ORDER** that Petitioner shall file with this Court and submit to its creditors one or more plans of compromise or arrangement under the CCAA (collectively, the “**Plan**”) between, among others, Petitioner and one or more classes of its creditors as Petitioner may deem appropriate, on or before the Stay Termination Date (as defined hereinafter) or such other time or times as may be allowed by this Court.

#### **Stay of Proceedings against the Petitioner, the Property, the Directors or others**

7. **ORDER** that, until and including December 19, 2007, or such later date as the Court may order (the “**Stay Termination Date**”, the period from the date of the Order to the Stay Termination Date being referred to as the “**Stay Period**”), no right, legal or conventional, may be exercised and no proceeding, at law or under a contract, by reason of this Order



or otherwise, however and wherever taken (collectively the “**Proceedings**”) may be commenced or proceeded with by anyone, whether a person, firm, partnership, corporation, stock exchange, government, administration or entity exercising executive, legislative, judicial, regulatory or administrative functions (collectively, “**Persons**” and, individually, a “**Person**”) against or in respect of the Petitioner, or any of the present or future property, assets, rights and undertakings of the Petitioner, of any nature and in any location, whether held directly or indirectly by the Petitioner, in any capacity whatsoever, or held by others for the Petitioner (collectively, the “**Property**”), and all Proceedings already commenced against the Petitioner or any of the Property, are stayed and suspended until the Court authorizes the continuation thereof, the whole subject to the provisions of the CCAA.

8. **ORDER** that, without limiting the generality of the foregoing, during the Stay Period, all Persons having agreements, contracts or arrangements with the Petitioner or in connection with any of the Property, whether written or oral, for any subject or purpose:
- a. are restrained from accelerating, terminating, cancelling, suspending, refusing to modify or extend on reasonable terms such agreements, contracts or arrangements or the rights of the Petitioner or any other Person thereunder;
  - b. are restrained from modifying, suspending or otherwise interfering with the supply of any goods, services, or other benefits by or to such Person thereunder (including, without limitation, any directors’ and officers’ insurance, any telephone numbers, any form of telecommunications service, any oil, gas, electricity or other utility supply); and
  - c. shall continue to perform and observe the terms and conditions contained in such agreements, contracts or arrangements, so long as Petitioner pays the prices or charges for such goods and services received after the date of the Order as such prices or charges become due in accordance with the law or as may be hereafter negotiated (other than deposits whether by way of cash, letter of credit or guarantee, stand-by fees or similar items which Petitioner shall not be required to pay or grant), unless the prior written consent of Petitioner and the Monitor is obtained or the leave of this Court is granted;

9. **ORDER** that, without limiting the generality of the foregoing and subject to Section 18.1 of the CCAA, if applicable, cash or cash equivalents placed on deposit by the Petitioner with any Person during the Stay Period, whether in an operating account or otherwise for itself or for another entity, shall not be applied by such Person in reduction or repayment of amounts owing to such Person as of the date of the Order or due on or before the expiry of the Stay Period or in satisfaction of any interest or charges accruing in respect thereof; however, this provision shall not prevent any financial institution from: (i) reimbursing itself for the amount of any cheques drawn by the Petitioner and properly honoured by such institution, or (ii) holding the amount of any cheques or other instruments deposited into any of the Petitioner's accounts until those cheques or other instruments have been honoured by the financial institution on which they have been drawn.
10. **ORDER** that, notwithstanding the foregoing, any Person who provided any kind of letter of credit, bond or guarantee (the "**Issuing Party**") at the request of the Petitioner shall be required to continue honouring any and all such letters, bonds and guarantees, issued on or before the date of the Order; however, the Issuing Party shall be entitled, where applicable, to retain the bills of lading or shipping or other documents relating thereto until paid therefore.
11. **DECLARE** that, to the extent any rights, obligations, or time or limitation periods, including, without limitation, to file grievances, relating to the Petitioner or any of the Property may expire, other than the term of any lease of real property, the term of such rights or obligations, or time or limitation periods shall hereby be deemed to be extended by a period equal to the Stay Period. Without limitation to the foregoing, in the event that the Petitioner becomes bankrupt or a receiver within the meaning of paragraph 243(2) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") is appointed in respect of the Petitioner, the period between the date of the Order and the day on which the Stay Period ends shall not be calculated in respect of the Petitioner in determining the 30-day periods referred to in Sections 81.1 and 81.2 of the BIA.
12. **ORDER** that no Person may commence, proceed with or enforce any Proceedings against any former, present or future director or officer of the Petitioner or any person

that, by applicable legislation, is treated as a director of Petitioner or that will manage in the future the business and affairs of the Petitioner (each, a “**Director**”, and collectively the “**Directors**”) in respect of any claim against such Director that arose before this Order was issued and that relates to obligations of the Petitioner for which such Director is or is alleged to be liable (as provided under Section 5.1 of the CCAA) until further order of this Court or until the Plan, if one is filed, is refused by the creditors or is not sanctioned by the Court.

13. **ORDER** that no Person shall commence, proceed with or enforce any Proceedings against any of the Directors, officers, employees, legal counsel or financial advisers of Petitioner, the Monitor, or the legal counsel or financial advisers to the Monitor, for or in respect of the Restructuring (as defined hereinafter) or the formulation and implementation of the Plan without first obtaining leave of this Court, upon seven days written notice to Petitioner’s ad litem counsel and to all those referred to in this paragraph whom it is proposed be named in such Proceedings.

**Possession of Property and Carrying on Business**

14. **ORDER** that, subject to the terms of the Order, the Petitioner shall remain in possession of the Property until further order in these proceedings.
15. **ORDER** that the Petitioner shall continue to carry on its business and financial affairs in a manner consistent with the commercially reasonable preservation thereof.
16. **ORDER** that, from and after the date of this Order, the Petitioner shall be entitled to pay all reasonable costs and expenses incurred in carrying on its business, in carrying out the provisions of this Order and for the purposes of the Plan and the Restructuring (as defined below), in each case when due and payable, which costs and expenses may include, without limitation:
- a. the cost of goods and services actually supplied to the Petitioner after the date of this Order;
  - b. all outstanding and future wages, salaries, commissions, vacation pay, pension and other benefits, reimbursement of expenses (including, without limitation,

amounts charged by employees to credit cards) and other amounts accruing due to current, former or future employees, consultants, officers or directors or individuals that provide or have provided services to the Petitioner as individual contractors;

- c. all outstanding and future insurance premiums (including directors and officers liability insurance, property and casualty, group insurance or other necessary insurance policy);
- d. with the consent of the Monitor, expenses and capital expenditures reasonably necessary for the preservation of the Petitioner's Property or business (including, without limitation, payments on account of insurance, maintenance and security);
- e. all outstanding and future fees and disbursements of the Monitor, the Monitor's and the Petitioner's legal counsel, and any financial and other advisers retained by the Petitioner in respect of the Plan, the Restructuring or these proceedings;
- f. all outstanding and future priority claims of the federal or provincial Crown or a municipality in respect of the Petitioner or any of the Property which may have priority over any security held by other Persons, including, without limitation, amounts owing in respect of provincial sales taxes, federal goods and services taxes, income tax source deductions and other analogous withholdings, Canada Pension Plan, and Quebec Pension Plan and employment insurance contributions, employer health taxes, obligations to any workers' compensation authority, obligations in respect of any provincial or federal environmental legislation, gross receipts taxes, and realty or excise or other taxes;
- g. rent and other payments required pursuant to any leases of real property under existing arrangements in respect of the period after the date of this Order while the Petitioner is in actual occupation of such real property;

provided that, unless provided in subparagraphs (a) to (g) listed above, the Petitioner shall only be entitled (but not required) to pay costs and expenses that were incurred before the date of this Order with the approval of the Monitor, provided the amount of such payment is undisputed and deemed necessary to avoid significant disruptions to

any of the Petitioner's business and ongoing operations, or upon further order in these proceedings.

### **Restructuring**

17. **DECLARE** that, to facilitate the orderly restructuring of its business and financial affairs (the "**Restructuring**"), the Petitioner shall have the right, subject to approval of the Monitor or further order of the Court, to:

- a. permanently or temporarily cease, downsize or shut down any of its operations or locations as it deems appropriate and make provision for the consequences thereof in the Plan;
- b. pursue all avenues to market and sell, subject to subparagraph (c), the Property, in whole or part;
- c. convey, transfer, assign, lease, or in any other manner dispose of the Property, in whole or in part, provided that the price in each case does not exceed \$500,000 or \$1,000,000 in the aggregate;
- d. terminate the employment of such of its employees or temporarily or permanently lay off such of its employees as it deems appropriate and, to the extent any amounts in lieu of notice, termination or severance pay or other amounts in respect thereof are not paid in the ordinary course, such amounts are to constitute unsecured claims to be addressed and compromised by the Plan, as Petitioner may determine;
- e. subject to paragraphs 19 and 20 hereof, vacate or abandon any leased real property or repudiate any lease and ancillary agreements related to any leased premises as it deems appropriate, provided that Petitioner gives the relevant landlord at least seven days prior written notice, on such terms as may be agreed between Petitioner and such landlord, or failing such agreement, to make provision for any consequences thereof in the Plan; and
- f. repudiate such of its agreements, contracts or arrangements of any nature whatsoever, whether oral or written, as it deems appropriate, on such terms as

may be agreed between Petitioner and the relevant party, or failing such agreement, to make provision for the consequences thereof in the Plan and to negotiate any amended or new agreements or arrangements.

18. **DECLARE** that, in order to facilitate the Restructuring, the Petitioner may, subject to approval of the Monitor:

- a. settle claims of customers and suppliers that are in dispute; and
- b. establish a plan for the retention of key employees and the making of retention payments or bonuses in connection therewith.

19. **DECLARE** that, if leased premises are vacated or abandoned by Petitioner pursuant to subparagraph 17.e, the landlord may take possession of any such leased premises without waiver of, or prejudice to, any claims or rights of the landlord against Petitioner, provided the landlord mitigates its damages, if any, and re-leases any such leased premises to third parties on such terms as any such landlord may determine.

20. **ORDER** that Petitioner shall provide to any relevant landlord notice of Petitioner's intention to remove any fixtures or leasehold improvements at least seven days in advance. If the Petitioner has already vacated the leased premises, it shall not be considered to be in occupation of such location pending the resolution of any dispute.

21. **DECLARE** that, pursuant to sub-paragraph 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c.5, Petitioner is permitted, in the course of these proceedings, to disclose personal information of identifiable individuals in its possession or control to stakeholders or prospective investors, financiers, buyers or strategic partners and to its advisers (individually, a "**Third Party**"), but only to the extent desirable or required to negotiate and complete the Restructuring or the preparation and implementation of the Plan or a transaction for that purpose, provided that the Persons to whom such personal information is disclosed enter into confidentiality agreements with Petitioner binding them to maintain and protect the privacy of such information and to limit the use of such information to the extent necessary to complete the transaction or Restructuring then under negotiation. Upon the completion of the use of personal information for the limited purpose set out herein, the personal information

shall be returned to Petitioners or destroyed. In the event that a Third Party acquires personal information as part of the Restructuring or the preparation and implementation of the Plan or a transaction in furtherance thereof, such Third Party may continue to use the personal information in a manner which is in all respects identical to the prior use thereof by Petitioner.

### **Directors Indemnification and Charge**

22. **ORDER** that, in addition to any existing indemnities, the Petitioner shall indemnify each of the Directors from and against the following (collectively, “**D&O Claims**”):

- a. all costs (including, without limitation, full defence costs), charges, expenses, claims, liabilities and obligations, of any nature whatsoever, which may arise on or after the date of the Order (including, without limitation, an amount paid to settle an action or a judgment in a civil, criminal, administrative or investigative action or proceeding to which a Director may be made a party), provided that any such liability relates to such Director in that capacity, and, provided that such Director (i) acted honestly and in good faith in the best interests of the Petitioner and (ii) in the case of a criminal or administrative action or proceeding in which such Director would be liable to a monetary penalty, such Director had reasonable grounds for believing his or her conduct was lawful, except if such Director has actively breached any fiduciary duties or has been grossly negligent or guilty of wilful misconduct; and
- b. all costs, charges, expenses, claims, liabilities and obligations relating to the failure of the Petitioner to make any payments or to pay amounts in respect of employee or former employee entitlements to wages, vacation pay, termination pay, severance pay, pension or other benefits, or any other amount for services performed, whether incurred or accruing prior to, on or after the date of the Order and that such Directors sustain, by reason of their association with the Petitioner as a Director, except to the extent that they have actively breached any fiduciary duties or have been grossly negligent or guilty of wilful misconduct.

The foregoing shall not constitute a contract of insurance or other valid and collectible insurance, as such term may be used in any existing policy of insurance issued in favour of Petitioner or any of the Directors.

23. **DECLARE** that, as security for the obligation of Petitioner to indemnify the Directors pursuant to paragraph 22 hereof, the Directors are hereby granted a hypothec on, mortgage of, lien on and security interest in the Property to the extent of the aggregate amount of \$4,000,000 (the “**D&O Charge**”), having the priority established by paragraphs 31 and 32 hereof. Such D&O Charge shall not constitute or form a trust. Such D&O Charge, notwithstanding any language in any applicable policy of insurance to the contrary, shall only apply to the extent that the Directors do not have coverage under any directors’ and officers’ insurance, which shall not be excess insurance to the D&O Charge. In respect of any D&O Claim against any of the Directors (collectively, the “**Respondent Directors**”), if such Respondent Directors do not receive confirmation from the applicable insurer within 21 days of delivery of notice of the D&O Claim to the applicable insurer, confirming that the applicable insurer will provide coverage for and indemnify the Respondent Directors, then, without prejudice to the subrogation rights hereinafter referred to, Petitioner shall pay the amount of the D&O Claim upon expiry. Failing such payment, the Respondent Directors may enforce the D&O Charge provided that the Respondent Directors shall reimburse Petitioner to the extent that they subsequently receive insurance benefits for the D&O Claim paid by Petitioner, and provided further that Petitioner shall, upon payment, be subrogated to the rights of the Respondent Directors to recover payment from the applicable insurer as if no such payment had been made.

#### **Powers of the Monitor**

24. **ORDERS** that RSM Richter Inc. is hereby appointed to monitor the business and financial affairs of Petitioner as an officer of this Court (the “**Monitor**”) and that the Monitor shall, in addition to the duties and functions referred to in Section 11.7 of the CCAA:
- a. send notice of the Order, within 10 days, to every known creditor of Petitioner having a claim of more than \$250 against it, advising that such creditor may



obtain a copy of the Order on the internet at the website of the Monitor (the “Website”) or, failing that, from the Monitor and the Monitor shall so provide it. Such notice shall be sufficient in accordance with Subsection 11(5) of the CCAA;

- b. assist Petitioner, to the extent required by Petitioner, in dealing with its creditors and other interested Persons during the Stay Period;
- c. assist Petitioner, to the extent required by Petitioner, with the preparation of its cash flow projections and any other projections or reports and the development, negotiation and implementation of the Plan;
- d. advise and assist Petitioner, to the extent required by Petitioner, to review Petitioner’s business and assess opportunities for cost reduction, revenue enhancement and operating efficiencies;
- e. assist Petitioner, to the extent required by Petitioner, with the Restructuring and in its negotiations with their creditors and other interested Persons and with the holding and administering of any meetings held to consider the Plan;
- f. assist Petitioner with the conduct of any sale process to sell the Petitioner’s assets or business;
- g. report to the Court on the state of the business and financial affairs of Petitioner or developments in these proceedings or any related proceedings within the time limits set forth in the CCAA and at such time as considered appropriate by the Monitor or as the Court may order;
- h. report to this Court and interested parties, including but not limited to creditors affected by the Plan, with respect to the Monitor’s assessment of, and recommendations with respect to, the Plan;
- i. retain and employ such agents, advisers and other assistants as are reasonably necessary for the purpose of carrying out the terms of the Order, including, without limitation, one or more entities related to or affiliated with the Monitor;

- j. engage legal counsel to the extent the Monitor considers necessary in connection with the exercise of its powers or the discharge of its obligations in these proceedings and any related proceeding, under the Order or under the CCAA;
- k. may act as a “foreign representative” of Petitioner in any proceedings outside of Canada;
- l. may give any consent or approval as are contemplated by the Order; and
- m. perform such other duties as are required by the Order, the CCAA or this Court from time to time.

The Monitor shall not otherwise interfere with the business and financial affairs carried on by Petitioner, and the Monitor is not empowered to take possession of the Property nor to manage any of the business and financial affairs of Petitioner.

25. **ORDER** that Petitioner and its directors, officers, employees and agents, accountants, auditors and all other Persons having notice of the Order shall forthwith provide the Monitor with unrestricted access to all of the Property, including, without limitation, the premises, books, records, data, including data in electronic form, and all other documents of Petitioner in connection with the Monitor’s duties and responsibilities hereunder.
26. **DECLARE** that the Monitor may provide creditors and other relevant stakeholders of Petitioner with information in response to requests made by them in writing addressed to the Monitor and copied to Petitioner’s counsel. The Monitor shall not have any duties or liabilities in respect of such information disseminated by it pursuant to the provisions of the Order or the CCAA, other than as provided in paragraph 28 hereof. In the case of information that the Monitor has been advised by Petitioner is confidential, proprietary or competitive, the Monitor shall not provide such information to any Person without the consent of Petitioner unless otherwise directed by this Court.
27. **DECLARE** that the Monitor shall not be, nor be deemed to be, an employer or a successor employer of the employees of Petitioner or a related employer in respect of Petitioner within the meaning of any federal, provincial or municipal legislation governing employment, labour relations, pay equity, employment equity, human rights,

health and safety or pensions or any other statute, regulation or rule of law or equity for any similar purpose and, further, that the Monitor shall not be, nor be deemed to be, in occupation, possession, charge, management or control of the Property or business and financial affairs of Petitioner pursuant to any federal, provincial or municipal legislation, statute, regulation or rule of law or equity which imposes liability on the basis of such status, including, without limitation, the *Environment Quality Act* (Quebec), the *Canadian Environmental Protection Act, 1999* or the *Act Respecting Occupational Health and Safety* (Quebec) or similar other federal or provincial legislation.

28. **DECLARE** that, in addition to the rights and protections afforded to the Monitor by the CCAA, the Order or its status as an officer of the Court, the Monitor shall not incur any liability or obligation as a result of its appointment and the fulfilment of its duties or the provisions of the Order, save and except any liability or obligation arising from the gross negligence or wilful misconduct, and no action or other proceedings shall be commenced against the Monitor relating to its appointment, its conduct as Monitor or the carrying out the provisions of any order of this Court, except with prior leave of this Court, on at least seven days notice to the Monitor and its counsel. The entities related to or affiliated with the Monitor referred to in subparagraph 24.i hereof shall also be entitled to the protection, benefits and privileges afforded to the Monitor pursuant to this paragraph.
29. **ORDER** that Petitioner shall pay the fees and disbursements of the Monitor, the Monitor's legal counsel, Petitioner's legal counsel and other advisers, incurred in connection with or with respect to the Restructuring, whether incurred before or after the Order, and shall provide each with a reasonable retainer in advance on account of such fees and disbursements, if so requested.
30. **DECLARE** that the Monitor, the Monitor's legal counsel, the Petitioner's legal counsel and other advisers, as security for the professional fees and disbursements incurred both before and after the making of the Order in respect of these proceedings, the Plan and the Restructuring, in addition to the retainers referred to paragraph 29 hereof, be entitled to the benefit of and are hereby granted a hypothec on, mortgage of, lien on, and security interest in the Property to the extent of the aggregate amount of \$1,000,000 (the

“**Administration Charge**”), having the priority established by paragraphs 31 and 32 hereof.

**Priorities and General Provisions Relating to CCAA Charges**

31. **DECLARE** that the priorities of the Administration Charge and D&O Charge (collectively, the “**CCAA Charges**”), as between them with respect to any Property to which they apply, shall be as follows:

- a. first, the Administration Charge; and
- b. second, the D&O Charge.

32. **DECLARE** that each of the CCAA Charges shall rank in priority to any and all other hypothecs, mortgages, liens, security interests, priorities, conditional sale agreements, financial leases, charges, encumbrances or security of whatever nature or kind (collectively, “**Encumbrances**”) affecting any of the Property.

33. **ORDER** that, except as otherwise expressly provided for herein, Petitioner shall not grant any Encumbrances in or against any Property that rank in priority to, or pari passu with, any of the CCAA Charges unless Petitioner obtains the prior written consent of the Monitor and the prior approval of the Court.

34. **DECLARE** that each of the CCAA Charges shall attach, as of the Effective Time of the Order, to all present and future Property of Petitioner, notwithstanding any requirement for the consent of any party to any such charge or to comply with any condition precedent.

35. **DECLARE** that the CCAA Charges and the rights and remedies of the beneficiaries of such Charges, shall be valid and enforceable and shall not otherwise be limited or impaired in any way by: (i) these proceedings and the declaration of insolvency made herein; (ii) any application for a bankruptcy order filed pursuant to the BIA in respect of the Petitioner or any bankruptcy order made pursuant to any such application or any assignment in bankruptcy made or deemed to be made in respect of the Petitioner; or (iii) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any agreement,

lease, sub-lease, offer to lease or other arrangement which binds the Petitioner (a “**Third Party Agreement**”), and notwithstanding any provision to the contrary in any Third Party Agreement:

- a. the creation of any of the CCAA Charges shall not create or be deemed to constitute a breach by the Petitioner of any Third Party Agreement to which it is a party; and
- b. any of the beneficiaries of the CCAA Charges shall not have liability to any Person whatsoever as a result of any breach of any Third Party Agreement caused by or resulting from the creation of the CCAA Charges.

36. **DECLARE** that notwithstanding: (i) these proceedings and any declaration of insolvency made herein, (ii) any petition for a receiving order filed pursuant to the BIA in respect of the Petitioner and any receiving order allowing such petition or any assignment in bankruptcy made or deemed to be made in respect of the Petitioner, and (iii) the provisions of any federal or provincial statute, the payments or disposition of Property made by the Petitioner pursuant to the Order and the granting of the CCAA Charges, do not and will not constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions or conduct meriting an oppression remedy under any applicable law.

37. **DECLARE** that the CCAA Charges shall be valid and enforceable as against all Property of the Petitioner and against all Persons, including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of the Petitioner, for all purposes.

#### **General**

38. **DECLARE** that the Order and any proceeding or affidavit leading to the Order, shall not, in and of themselves, constitute a default or failure to comply by the Petitioner under any statute, regulation, licence, permit, contract, permission, covenant, agreement, undertaking or other written document or requirement.

39. **DECLARE** that, except as otherwise specified herein, Petitioner is at liberty to serve any notice, proof of claim form, proxy, circular or other document in connection with these proceedings by forwarding copies by prepaid ordinary mail, courier, personal delivery or electronic transmission to Persons or other appropriate parties at their respective given addresses as last shown on the records of Petitioner and that any such service shall be deemed to be received on the date of delivery if by personal delivery or electronic transmission, on the following business day if delivered by courier, or three business days after mailing if by ordinary mail.
40. **DECLARE** that Petitioner may serve any court materials in these proceedings on all represented parties electronically, by emailing a PDF or other electronic copy of such materials to counsels' email addresses, provided that Petitioner shall deliver "hard copies" of such materials upon request to any party as soon as practicable thereafter.
41. **DECLARE** that any party in these proceedings, other than Petitioner, may serve any court materials electronically, by emailing a PDF or other electronic copy of all materials to counsels' email addresses, provided that such party shall deliver both PDF or other electronic copies and "hard copies" of all materials to counsel to Petitioner and the Monitor and to any other party requesting same.
42. **DECLARE** that, unless otherwise provided herein or ordered by this Court, no document, order or other material need be served on any Person in respect of these proceedings, unless such Person has served a Notice of Appearance on the solicitors for Petitioner and the Monitor and has filed such notice with this Court.
43. **DECLARE** that Petitioner or the Monitor may, from time to time, apply to this Court for directions concerning the exercise of their respective powers, duties and rights hereunder or in respect of the proper execution of the Order on notice only to each other.
44. **DECLARE** that any interested Person may apply to this Court to vary or rescind the Order or seek other relief upon seven days notice to Petitioner and the Monitor and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

45. **DECLARE** that the Order and all other orders in these proceedings shall have full force and effect in all provinces and territories in Canada.
46. **DECLARE** that the Monitor, with the prior consent of Petitioner, shall be authorized to apply as it may consider necessary or desirable, with or without notice, to any other court or administrative body, whether in Canada, the United States of America or elsewhere, for orders which aid and complement the Order and any subsequent orders of this Court and, without limitation to the foregoing, an order under Chapter 15 of the *U.S. Bankruptcy Code*, for which the Monitor shall be the foreign representative of Petitioner. All courts and administrative bodies of all such jurisdictions are hereby respectively requested to make such orders and to provide such assistance to the Monitor as may be deemed necessary or appropriate for that purpose.
47. **REQUEST** the aid and recognition of any Court or administrative body in any Province of Canada and any Canadian federal court or administrative body and any federal or state court or administrative body in the United States of America and any court or administrative body elsewhere, to act in aid of and to be complementary to this Court in carrying out the terms of the Order.
48. **ORDER** the provisional execution of the Order notwithstanding any appeal and without the necessity of furnishing any security.

**THE WHOLE WITHOUT COSTS**, save and except in case of contestation.

MONTREAL, November 18, 2007

(SGD) Osler, Hoskin & Harcourt L.L.P.

**OSLER, HOSKIN & HARCOURT L.L.P.**

Attorneys for the Petitioner

SR TELECOM INC.

**TRUE COPY**

OSLER, HOSKIN & HARCOURT LLP  
Osler, Hoskin & Harcourt LLP

**AFFIDAVIT**

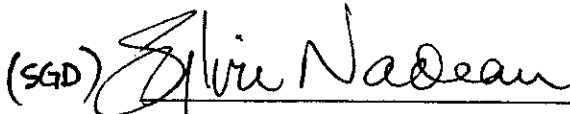
I, the undersigned, Marc Girard, business person, domiciled and residing at 392 Des Roselins, city of Verdun, district of Montréal, Province of Québec, H3E 1X8, solemnly declare the following:

1. I am the Chief Financial Officer of Petitioner and I am duly authorized for purposes hereof;
2. I have taken cognizance of the present Motion for an Initial Order Pursuant to Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act*;
3. All the facts alleged in the said motion are true.

AND I HAVE SIGNED

(SGD)   
Marc Girard

SOLEMNLY AFFIRMED BEFORE ME IN MONTRÉAL  
on the 18<sup>th</sup> day of November 2007

(SGD) 



COMMISSIONER OF OATHS  
FOR THE JUDICIAL DISTRICT OF MONTREAL

**TRUE COPY**

Osler, Hoskin & Harcourt LLP  
Osler, Hoskin & Harcourt LLP



## NOTICE OF PRESENTATION

**TO: DDJ CAPITAL MANAGEMENT, LLC**  
130 Turner Street, Suite 600  
Waltham, Massachusetts, 02453

Attention: Jackson Craig  
Fax No.: (781) 283-8555  
Tel No.: (781) 283-8519

Attention: Joshua McCarthy  
Fax No.: (781) 283-8541  
Tel No.: (781) 283-8511

**TO: GUARDIAN CAPITAL L.P.**  
199 Bay St. W. Commerce Court West  
Suite 3100, Toronto, Ontario, M5L 1E8

Attention: Steve Kearns  
Fax No.: (416) 947-3745  
Tel No.: (416) 947-3701

Attention: Gino Tullo  
Fax No.: (416) 364-9922  
Tel No.: (416) 350-6898

**TO: GREYWOLF LOAN PARTICIPATION  
LLC**  
4 Manhattanville Road  
New York, NY 10577

Attention: Bill Troy  
Fax No.: (914) 251-8244  
Tel No.: (914) 251-8223

**TO: NORTH POLE CAPITAL MASTER FUND**  
372 Bay Street, 21e étage  
Toronto, Ontario, M5H 2W9

Attention: Paul Sabourin  
Fax No.: (416) 367-0564  
Tel No.: (416) 367-4364

**TO: MORGAN STANLEY & Co.  
INTERNATIONAL PLC**  
25 Cabot Square, London, E14 4QA

Attention: Charlotte Denham  
Fax No.: 0207 056 0966  
Tel No.: 0207 677 4608

**TO: MORGAN STANLEY PRINCIPAL  
STRATEGIES, INC.**  
25 Cabot Square, London, E14 4QA

Attention: Charlotte Denham  
Fax No.: 0207 056 0966  
Tel No.: 0207 677 4608

**TO: THALES HOLDINGS LTD.**  
140 Broadway – 45<sup>th</sup> Floor  
New York, N.Y. 10005

Attention: Aadel Shaaban  
Fax No.: (212) 509-3722  
Tel No.: (212) 509-3111

**TO: BENNETT JONES LLP**  
3400 One First Canadian Place  
PO Box 130  
Toronto, Ontario, M5X 1A4

Attention: S. Richard Orzy  
Fax No.: (416) 863-1716  
Tel No.: (416) 777-5737

**TO: BNY TRUST COMPANY OF CANADA**  
Suite 1101  
4 King Street West  
Toronto, Ontario, M5H 1B6

Attention: Senior Trust Officer  
Fax No.: (416) 360-1711  
Tel No.: (416) 933-8505

**TAKE NOTICE** that the attached *Motion for an Initial Order Pursuant to Sections 4, 5 and 11 of the Companies' Creditors Arrangement Act* will be presented for hearing and allowance in room 16.12 at 8 a.m. at the Montreal Courthouse, 1 Notre-Dame Street East, Montreal, on November 19, 2007, or so soon thereafter as Counsel may be heard.

**DO GOVERN YOURSELF ACCORDINGLY.**

MONTREAL, November 18, 2007

(SGD) Osler, Hoskin & Harcourt L.L.P.  
**OSLER, HOSKIN & HARCOURT L.L.P.**  
Attorneys for the Petitioner  
SR TELECOM INC.

**TRUE COPY**

OSLER, HOSKIN & HARCOURT LLP  
Osler, Hoskin & Harcourt LLP

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

SUPERIOR COURT  
(Commercial Division)  
(Sitting as a court designated pursuant to the  
*Companies' Creditors Arrangement Act*,  
R.S.C. 1985, c. C-36)

---

No.: 500-11-

**IN THE MATTER OF THE PLAN OF  
COMPROMISE OR ARRANGEMENT OF:**

**SR TELECOM INC.;**

**Petitioner**

- and -

**RSM RICHTER INC.;**

**Monitor**

---

**NOTICE OF DENUNCIATION OF EXHIBITS**

**TAKE NOTICE** that in support of its Motion, Petitioner intends to introduce as evidence the following Exhibits:

- P-1 CIDREQ Report regarding SR Telecom Inc.
- P-2 SR Telecom Inc.'s 2006 Annual Report
- P-3 SR Telecom Inc.'s Unaudited Interim Consolidated Financial Statements as at June 30, 2007
- P-4 SR Telecom Inc.'s 30-day Cash Flow Projections
- P-5 SR Telecom Inc.'s news release dated February 1, 2007
- P-6 SR Telecom Inc.'s news release dated March 6, 2007
- P-7 SR Telecom Inc.'s news release dated March 29, 2007
- P-8 SR Telecom Inc.'s news release dated April 16, 2007
- P-9 SR Telecom Inc.'s news release dated May 10, 2007
- P-10 SR Telecom Inc.'s news release dated November 8, 2007

MONTREAL, November 18, 2007

**TRUE COPY**

(SGD) Osler, Hoskin & Harcourt L.L.P.  
**OSLER, HOSKIN & HARCOURT L.L.P.**

OSLER, HOSKIN & HARCOURT LLP  
Osler, Hoskin & Harcourt LLP

Attorneys for the Petitioner  
SR TELECOM INC.

## **Notes to the Projected Cash Flow Statement**

For the Period beginning on November 12, 2007 to March 31, 2008

### **Note 1: Purposed of the Projected Cash Flow Statement**

The attached cash flow projection has been prepared by management on November 16, 2007 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 projected cash flow has been prepared using probable assumptions supported and consistent with the Company's plans for the period from November 12, 2007 to March 31, 2008, taking into consideration the economic conditions that are considered the most probable by management.

The 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 projections reflect sales of the Company's "Symmetry One" products, based on orders on hand, through to the end of November, 2007. During this time, the Company will try find a buyer for this segment of their business and negotiate pre-payment terms with its major customers. Should pre-payment agreements be successfully negotiated, the Company may extend its procurement and sales of "Symmetry One" products until the anticipated sale transaction is consummated;
- The Company has initiated a formal sale process, whereby it is seeking a buyer for all the assets of the Company on a going concern basis. These assets are substantially comprised of the Company's intellectual property and know how of its employees. Accordingly, the cash flows only anticipate incurring the disbursements necessary to preserve the value of the business until a sale transaction can be consummated;
- Prior to the filing under the CCAA, the Company entered serious discussions to sell certain "end of life" assets. The projections assume the consummation of the transaction and the collection of the related net sale proceeds.

### **Note 3: Specific Assumptions**

- Cash receipts:
    - Management has estimated the collections of the Company's accounts receivable based on historical experience, net of estimated discounts;
    - Due to the impact to the termination of supply to one of its major customer, no cash receipts have been projected from the said customer as it is assumed that the customer may assert a counter claim that would exceed the value of the receivables;
  - Payroll costs:
    - In order to reduce the Company's current overhead, the cash flow projection reflects planned head-count reductions resulting from abolishment of certain positions and the assumption of employees by the buyers of the "end-of-life" business units;
    - The projections anticipate reserving cash on hand to cover the Company's accrued vacation pay obligations for all of its employees and potential retention bonuses for key employees;
  - Disbursements: All other disbursements are assumed to be made on a COD basis;
  - Professional fees related to the CCAA are assumed to be paid on a weekly basis.
-

SR Telecom Inc  
Summary Weekly Cash Flow Projections

Week ending	18Nov07	25Nov07	02Dec07	09Dec07	16Dec07	23Dec07	30Dec07	06Jan08	13Jan08	20Jan08	27Jan08	03Feb08	10Feb08	17Feb08	24Feb08	03Mar08	10Mar08	17Mar08	24Mar08	31Mar08	Total		
Cash Receipts	841,987	961,722	184,289	176,836	1,290,881	116,382	197,890	0	122,873	262,194	239,821	470,894	30,828	89,910	81,811	181,183	123,799	0	0	0	0	6,221,239	
Disbursements	445,133	857,721	881,500	778,500	132,000	132,000	132,000	0	23,000	23,000	23,000	23,000	23,000	0	0	0	0	0	0	0	0	0	3,474,854
Operating Expenses	1,844,086	840,152	1,323,276	241,407	1,207,897	160,932	1,435,230	0	323,816	244,032	733,181	362,865	735,931	455,857	997,351	290,332	875,331	555,148	712,861	307,896	685,331	14,053,469	
CCAA Funding Requirements	2,389,201	1,887,873	2,384,778	1,020,802	1,338,887	322,832	1,868,236	0	346,818	267,832	748,181	545,866	768,331	468,857	997,351	290,332	875,331	555,148	712,861	307,896	685,331	17,628,222	
Vacation Pay Funding	0	2,410,764	0	0	56,035	0	77,597	0	0	0	0	0	40,248	0	39,488	0	40,248	0	39,488	0	40,248	2,785,603	
Retention Bonus Funding	0	2,240,000	0	0	23,378	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,312,378	
Procurement Deposits	0	56,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	56,000	
Operating Expense Deposits	115,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	2,015,000	
Administration/Professional Fees	118,000	4,846,784	190,000	190,000	189,413	190,000	177,837	0	180,000	194,000	139,488	108,000	140,248	180,000	140,248	192,000	139,488	192,000	139,488	192,000	140,248	7,184,981	
Net Increase/(Decrease) in Cash	(1,653,134)	(5,592,915)	(2,110,256)	(942,269)	(229,419)	(907,590)	(1,638,871)	0	(323,944)	(184,837)	(648,648)	(15,071)	(687,552)	(485,647)	(1,055,029)	(159,150)	(91,780)	(453,148)	(832,369)	(407,896)	(825,576)	(19,475,064)	
Operating Cash Balance (not \$1,054,400 actual cash)	19,898,771	17,946,837	12,342,722	10,242,187	9,296,831	8,078,811	6,782,831	7,124,064	7,194,084	8,896,110	8,436,273	6,968,828	6,873,866	6,068,803	4,618,868	3,866,478	3,366,478	2,873,698	2,516,851	1,398,182	968,288	19,898,771	
Ending Cash Balance	17,845,637	12,342,722	10,242,187	9,296,831	8,078,811	6,782,831	7,124,064	7,194,084	8,896,110	8,436,273	6,968,828	6,873,866	6,108,803	4,818,866	3,966,478	3,366,478	2,873,698	2,516,851	1,398,182	968,288	132,707	132,707	

No: 500-11-

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**SUPERIOR COURT**  
*Commercial Division*  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL

---

IN THE PLAN OF COMPROMISE OR ARRANGEMENT  
OF:

SR TELECOM INC.,

Petitioner

and

RSM RICHTER INC.,

Monitor

---

**EXHIBIT P-4**

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**COPY**

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**M<sup>r</sup> Martin Desrosiers**  
**Osler, Hoskin & Harcourt LLP**  
**Counsel to the Petitioner**  
1000 de la Gauchetière Street West, Suite 2100  
Montréal, Québec, Canada H3B 4W5  
Tel.: (514) 904-5649 Fax: (514) 904-8101  
Code : BO 0323n/d: **MD4746-1106255**

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SR Telecom Inc  
Cash Flow Actuals vs Projections  
For the 4 weeks ended December 7, 2007

Appendix C

	Actuals 4 weeks ended Dec.7, 2007	Budget 4 weeks ended Dec.7, 2007	Variance 4 weeks ended Dec.7, 2007	Comments
<b>Cash Receipts</b>	\$ 7,606,458	\$ 2,625,499	\$ 4,980,959	Note 1
<b>Disbursements</b>				
Procurement	386,580	2,650,721	(2,264,141)	Note 2
Operating Expenses	2,356,547	3,612,727	(1,256,179)	Note 3
	<u>2,743,128</u>	<u>6,263,448</u>	<u>(3,520,320)</u>	
<b>CCAA Funding Requirements</b>				
Vacation Pay Funding	2,990,811	3,328,687	(337,876)	Note 4
Retention Bonus Funding	1,620,085	1,452,490	167,595	Note 5
Procurement deposits	0	0	0	
Operating deposits	74,500	56,000	18,500	
Admin/Professional fees	233,490	400,000	(166,510)	Note 6
	<u>4,918,886</u>	<u>5,237,176</u>	<u>(318,290)</u>	
<b>Net Increase/(Decrease) in Cash</b>	(55,556)	(8,875,125)	8,819,569	
<b>Opening Cash Balance</b> <i>(net of restricted and reserved cash)</i>	17,945,637	17,945,637	0	
<b>Change in restricted cash</b>	250,000	0	250,000	Note 7
<b>Ending Cash Balance</b>	<u>\$ 18,140,081</u>	<u>\$ 9,070,511</u>	<u>\$ 9,069,569</u>	
Balance per Bank	23,081,909	10,120,511	12,961,397	
Less: Restricted Cash	(800,000)	(1,050,000)	250,000	
Less: Reserved Cash - Vacation Pay	(2,521,743)		(2,521,743)	
Less: Reserved Cash - KERP	(1,620,085)		(1,620,085)	
<b>Ending Cash Balance</b>	<u>\$ 18,140,081</u>	<u>\$ 9,070,511</u>	<u>\$ 9,069,569</u>	

**Variance Analysis**

Note 1: Cash receipts are \$5.0MM in excess of budget for the following reasons:

- Management renegotiated collection terms with its major customer representing \$5.8MM favorable variance on projected collections;
- Other accounts receivable collections (excluding above) also exceeded projections by \$0.4MM;
- Projected cash receipts of \$1.2MM relating to sale of the repair and maintenance activities and related inventories and equipment did not materialize.

Note 2: Procurement disbursements are \$2.3MM less than projected, the favorable variance is a timing issue resulting from the delays encountered in reaching acceptable terms with its customers and contract manufacturers.

Note 3: Operating expenses are \$1.26MM less than anticipated primarily due to timing differences and foreign exchange fluctuations. The timing differences are attributable to the fact that the projections did not provide for any payment terms from any suppliers. In reality, certain suppliers did not demand COD payments however any such amounts will likely be paid in future weeks.

Note 4: Vacation pay funding was less than projected due to the fact that SRT's French subsidiary went into court supervised liquidation and accordingly SR Telcom's anticipated obligation to fund that subsidiary's employees vacation pay was eliminated.

Note 5: Retention bonus funding represents the finalized KERP amount (\$1.45MM plus obligatory employer tax contributions).

Note 6: Professional fees were less than projected due to timing differences.

Note 7: Restricted cash was decreased by \$250K as certain letters of credit expired and were not renewed.

SR Telecom Inc  
 Summary Weekly Cash Flow Projections  
 For the 16 Weeks Ending March 31, 2007

	Week ending																Total
	14/Dec/07	21/Dec/07	28/Dec/07	4/Jan/08	11/Jan/08	18/Jan/08	25/Jan/08	1/Feb/08	8/Feb/08	15/Feb/08	22/Feb/08	29/Feb/08	7/Mar/08	14/Mar/08	21/Mar/08	28/Mar/08	
<b>Cash Receipts</b>	\$ 338,668	\$ 3,044,316	\$ -	\$ 191,010	\$ 39,751	\$ 1,431,446	\$ 825,609	\$ 854,074	\$ 832,159	\$ 832,159	\$ 856,171	\$ 856,171	\$ 871,108	\$ 865,996	\$ 16,375	\$ 16,375	\$ 11,871,390
<b>Disbursements</b>																	
Procurement	2,081,018	81,400	-	902,813	947,031	902,813	902,813	902,813	707,050	707,050	707,050	707,050	-	-	-	-	9,548,901
Operating Expenses	572,151	1,533,354	-	608,757	249,284	840,088	338,728	824,677	646,799	1,014,741	324,316	809,869	548,545	797,146	304,316	779,677	10,592,479
	2,653,169	2,014,764	-	1,511,570	1,196,315	1,742,901	1,241,541	1,727,490	1,353,849	1,721,791	1,031,366	1,516,939	548,545	797,146	304,316	779,677	20,141,381
<b>CCAA Funding Requirements</b>																	
Vacation Pay Funding	-	100,523	-	-	-	47,590	-	48,350	-	47,590	-	46,350	-	47,590	-	48,350	398,342
Retention Bonus Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Procurement deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating deposits	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60,000
Admin/Professional fees	250,000	190,000	-	200,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,840,000
	310,000	290,523	-	200,000	100,000	147,590	100,000	148,350	100,000	147,590	100,000	148,350	100,000	147,590	100,000	148,350	2,286,342
<b>Net Increase/(Decrease) in Cash</b>	2,624,501	739,029	-	1,520,559	1,256,564	459,045	515,933	1,021,766	621,681	1,037,223	276,195	809,117	222,563	78,740	387,941	911,652	10,558,333
<b>Opening Cash Balance</b> <i>(net of restricted cash and reserved cash)</i>	18,140,081	15,515,580	16,254,609	16,254,609	14,734,050	13,477,486	13,018,441	12,592,508	11,480,743	10,659,052	9,821,829	9,546,634	8,737,517	8,960,080	8,881,341	8,493,399	18,140,081
<b>Change in restricted cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ending Cash Balance</b>	\$ 15,515,580	\$ 16,254,609	\$ 16,254,609	\$ 14,734,050	\$ 13,477,486	\$ 13,018,441	\$ 12,502,508	\$ 11,480,743	\$ 10,899,052	\$ 9,821,829	\$ 9,546,634	\$ 8,737,517	\$ 8,960,080	\$ 8,881,341	\$ 8,493,399	\$ 7,581,748	\$ 7,581,748

The cash flow projections are prepared by SRT's management and are based on underlying financial assumptions. The Monitor can not provide an opinion as to the accuracy, completeness or reliability of these projections. As the cash flow projections relate to future events, which are indeterminate 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.



**SR Telecom Inc.**

**Notes to the Projected Cash Flow Statement**

For the Period beginning on December 10, 2007 to March 31, 2008

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

- The attached cash flow projections were prepared by SR Telecom's management on December 13, 2007 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 SR Telecom's plans for the period from December 10, 2007 to March 31, 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 has initiated a formal sale process, whereby it is seeking a buyer for all its assets on a going concern basis;
- These projections reflect sales of the Company's "Symmetry One" products, based only on orders on hand through to the end of February, 2007, as the Company was able to re-negotiate favorable terms with its major customer and contract manufacturers;
- The Company is in the final discussions to outsource the repairs and maintenance activities for its product lines as well as to sell related equipment and inventories. The effect and any proceeds related to this possible transaction have not be considered in the preparation of these financial projections.

**Note 3: Specific Assumptions**

- Cash receipts:
  - Management has estimated the collections of the Company's accounts receivable on sales with two of its major customers based on negotiated accelerated payment terms. The balance of its accounts receivable collections have been estimated based on existing terms and historical experience, net of estimated discounts;
- Cash Disbursements:
  - Payroll costs: In order to continue to reduce the Company's current overhead, the cash flow projections reflect planned head-count reductions resulting from abolishment of certain positions;
  - Procurement and other disbursements are assumed to be made on a COD basis;
  - Professional fees related to the CCAA are assumed to be paid on a weekly basis;
  - Timing differences from the prior cash flow presented to Court, for the 4 weeks ended Dec.7, 2007 have been rolled over into this cash flow where appropriate.

# SCHEDULE B

SR Telecom Inc  
Cash Flow - Actuals vs Budget  
For the 14 weeks ended February 15th, 2008

Appendix B

	Actuals 14 weeks ended Feb. 15, 2007	Budget 14 weeks ended Feb. 15, 2007	Variance 14 weeks ended Feb. 15, 2007	
<b>Cash Receipts</b>	<b>\$ 22,478,448</b>	<b>\$ 15,995,650</b>	<b>\$ 6,482,798</b>	<b>Note 1</b>
<b>Disbursements</b>				
Procurement	12,595,891	8,521,382	4,074,510	<b>Note 2</b>
Operating Expenses	8,859,443	9,385,137	(525,694)	<b>Note 3</b>
	<b>21,455,334</b>	<b>17,906,518</b>	<b>3,548,816</b>	
<b>CCAA Funding Requirements</b>				
Vacation Pay Funding	2,801,546	3,234,864	(433,318)	<b>Note 4</b>
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	1,089,411	1,473,490	(384,079)	<b>Note 5</b>
	<b>5,645,542</b>	<b>6,462,939</b>	<b>(817,397)</b>	
<b>Net Increase/(Decrease) in Cash</b>	<b>(4,622,428)</b>	<b>(8,373,808)</b>	<b>3,751,379</b>	
<b>Opening Cash Balance</b> <i>(net of restricted and reserved cash)</i>	<b>17,945,637</b>	<b>17,945,637</b>	<b>0</b>	
<b>Change in restricted cash</b>	<b>250,000</b>	<b>250,000</b>	<b>0</b>	
<b>Ending Cash Balance</b>	<b>\$ 13,573,208</b>	<b>\$ 9,821,829</b>	<b>\$ 3,751,379</b>	
Balance per Bank	19,023,933	14,820,805	4,203,128	
Less: Restricted Cash	(800,000)	(800,000)	0	
Less: Reserved Cash - Vacation Pay	(2,177,899)	(2,578,891)	400,992	<b>Note 4</b>
Less: Reserved Cash - KERP	(1,620,085)	(1,620,085)	0	
Less: Axtel segregated account	(352,741)	0	(852,741)	<b>Note 6</b>
<b>Ending Cash Balance</b>	<b>\$ 13,573,208</b>	<b>\$ 9,821,829</b>	<b>\$ 3,751,379</b>	

**Variance Analysis**

Note 1: Cash receipts are \$6.5MM in excess of budget for the following reasons:

- An Advance Payment of \$6.1MM was received from its major customer which was not projected;
- Sale proceeds of \$300K were received for the SR500, SR100, Airstar product lines, the repair and maintenance activities and related inventories and equipment, which was not projected.

Note 2: Procurement disbursements are \$4.0MM greater than projected for the following reasons:

- \$3.5MM of disbursements which were not projected, which pertain to pre-paid procurement covered by the Advance Payment received from its customer(see above);
- \$500K of the unfavorable variances due to timing differences resulting from contract manufacturers requesting payment before delivery.

Note 3: Operating expenses are \$525k less than budget primarily due to timing differences.

The timing differences are attributable to the fact that the projections did not provide for any payment terms from suppliers, when in reality due to the nature of certain suppliers, effective terms are provided. The variance amounts will likely be paid in future weeks.

Note 4: Vacation pay funding was less than projected because certain employees were transferred to purchasers who assumed the employees' obligations and accordingly SRT's anticipated obligation to fund those employees vacation pay was eliminated.

This effectively reduced the required amount of Reserved Cash for Vacation Pay required and increased the available cash balance.

Note 5: Professional fees are less than projected due to timing differences.

Note 6: The Axtel segregated account balance of \$490K, represents the balance of the \$6.1MM Advance Payment which will be used to pay suppliers.

# SCHEDULE C

SR Telecom Inc  
 Summary Weekly Cash Flow Projections  
 For the 12 Weeks Ending May 2, 2008

	Week ending												Total
	22/Feb/08	29/Feb/08	7/Mar/08	14/Mar/08	21/Mar/08	28/Mar/08	4/Apr/08	11/Apr/08	18/Apr/08	25/Apr/08	2/May/08		Total
<b>Cash Receipts</b>	1,536,436	1,827,911	1,104,180	1,183,656	580,649	533,107	414,050	0	236,600	0	236,600		7,653,189
<b>Disbursements</b>													
Procurement	917,306	954,516	759,100	893,980	657,100	746,825	0	204,000	50,000	204,000	0		5,386,827
Operating Expenses	300,979	1,060,884	400,342	909,688	286,293	783,903	350,342	841,868	251,257	753,887	178,316		6,117,758
	<u>1,218,284</u>	<u>2,015,400</u>	<u>1,159,442</u>	<u>1,803,668</u>	<u>943,393</u>	<u>1,530,728</u>	<u>350,342</u>	<u>1,045,868</u>	<u>301,257</u>	<u>957,887</u>	<u>178,316</u>		<u>11,504,584</u>
<b>CCAA Funding Requirements</b>													
Vacation Pay Funding	6,790	41,847	0	41,088	0	41,847	0	41,088	0	41,847	0		214,508
Retention Bonus Funding	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
Operating deposits	0	0	0	0	0	0	0	0	0	0	0		0
Admin/Professional fees	233,807	200,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000		1,333,807
	<u>240,597</u>	<u>241,847</u>	<u>100,000</u>	<u>141,088</u>	<u>100,000</u>	<u>141,847</u>	<u>100,000</u>	<u>141,088</u>	<u>100,000</u>	<u>141,847</u>	<u>100,000</u>		<u>1,548,315</u>
<b>Net Increase/(Decrease) in Cash</b>	77,554	(429,336)	(155,261)	(761,099)	(462,744)	(1,138,468)	(36,292)	(1,186,956)	(164,657)	(1,099,735)	(41,716)		(5,399,710)
<b>Opening Cash Balance</b>	13,573,208	13,650,762	13,221,426	13,066,165	12,305,066	11,842,321	10,702,853	10,666,562	9,479,606	9,314,949	8,215,214		13,573,208
<i>(net of restricted cash, currently \$800K)</i>													
<b>Change in restricted cash</b>													0
<b>Ending Cash Balance</b>	<u>13,650,762</u>	<u>13,221,426</u>	<u>13,066,165</u>	<u>12,305,066</u>	<u>11,842,321</u>	<u>10,702,853</u>	<u>10,666,562</u>	<u>9,479,606</u>	<u>9,314,949</u>	<u>8,215,214</u>	<u>8,173,499</u>		<u>8,173,499</u>

The cash flow projections are prepared by the SRT's management.  
 The Monitor has not audited the financial projections and can not provide any assurance as to the accuracy, completeness or reliability of the information within.

# SCHEDULE D

**SR Telecom Inc.**

**Notes to the Projected Cash Flow Statement**

For the Period beginning on February 18, 2008 to May 2, 2008

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

- The attached cash flow projections were prepared by SR Telecom's management on February 18, 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 SR Telecom's plans for the period from February 18, 2008 to May 2, 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 is actively involved in the formal sale process, whereby it is seeking a buyer for all its assets on a going concern basis;
- These projections reflect sales of the Company's "Symmetry One" products, based only on orders on hand throughout the cash flow period, and reflect the following:
  - The Company was able to re-negotiate favorable payment terms with its major customers for orders on hand;
  - The Company was able to negotiate and secure significant new orders with its major customer with requested delivery dates between February and June 2008. The negotiated terms of these new orders are favorable compared to prior orders, in that a significant portion of the orders are being paid in advance to allow SR Telecom to procure the required components from its suppliers within the lead times without adversely affecting its cash position;
  - The Company was able to negotiate acceptable terms with its contract manufacturers and suppliers in order to allow it to meet its commitments to its customers.
- The Company's management is in the final stages of due diligence with various interested parties to sell the assets of the Company on a going concern basis. The identity of the ultimate buyer, the assets to be acquired, the purchase price and the timing of closing this transaction is uncertain at this time. Accordingly, the effect of and any proceeds related to this possible transaction have not been considered in the preparation of these financial projections.

**Note 3: Specific Assumptions**

- Cash receipts:
  - Management has estimated the collections of the Company's accounts receivable from two of its major customers based on negotiated accelerated payment terms. The balance of its accounts receivable collections have been estimated based on existing terms and historical experience, net of estimated discounts;

- Cash Disbursements:
  - Payroll costs: the cash flow projections reflect current payroll costs at the current head-count, which reflects the impact of previous reductions resulting from abolishment of certain positions and attrition;
  - Procurement of components and parts is assumed to be made on a Cash On Order basis (in whole or in part);
  - Procurement of finished goods is assumed to be made on a Cash Before Delivery basis, net of advance recoveries in certain cases;
  - Other disbursements are assumed to be made on a COD basis;
  - Professional fees related to the CCAA are assumed to be paid on a weekly basis;
  - Timing differences from the prior cash flow presented to Court, for the 14 weeks ended February 15, 2008 have been rolled over into this cash flow where appropriate.