Court File No.: CV-13-10274-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 8440522 CANADA INC., DATA & AUDIO-VISUAL ENTERPRISES WIRELESS INC., DATA & AUDIO-VISUAL ENTERPRISES HOLDINGS INC. AND 2451608 ONTARIO INC.

(collectively, the "**Applicants**")

FOURTEENTH REPORT OF THE MONITOR

JUNE 27, 2015

INTRODUCTION

1. On September 29, 2013, Data & Audio-Visual Enterprises Holdings Inc. ("**Holdings**") and its wholly owned subsidiaries, Data & Audio-Visual Enterprises Wireless Inc. ("**Wireless**") and 8440522 Canada Inc. (collectively with Wireless and Holdings, the "**Applicants**" or "**Mobilicity**") filed an application before the Court for an Initial Order under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") in order to restructure their business and affairs or complete a sale of their business and assets. 2451608 was added as an Applicant pursuant to the Order of this Court dated January 28, 2015.

2. On September 30, 2013, this Court made an order (the "**Initial Order**") granting the application and providing for, among other things, the appointment of Ernst & Young Inc. as monitor in the CCAA proceedings of the Applicants (the "**Monitor**") and a stay of proceedings against the creditors of the Applicants until October 30, 2013 or such later date as this Court may order. The stay of proceedings was most recently extended to August 31, 2015 pursuant to an order of this Court dated May 1, 2015.

PURPOSE

3. The purpose of this fourteenth report (the "**Report**") is to provide information to the Court on:

   a) the Applicants' motion for a Vesting Order as required by the Sale Agreement that was approved and authorized by this Court under the Sale Approval Order dated June 24, 2015 (the "**Sale Approval Order**") and ancillary relief to give effect to the transaction, including the holding of certain amounts by the Monitor on behalf of Holdings to facilitate the closing of the transaction and the releases contemplated therein;

   b) the termination of the CCAA proceeding in respect of Wireless and its subsidiaries, 8440522 Canada Inc. ("**844 Canada**") and 2451608 Ontario Inc. ("**245 Ontario**") (collectively the "**Wireless Entities**") 14 days after the delivery of the Monitor's Certificate;

   c) the termination and discharge of the agreement with BlueTree Advisors II Inc. as CRO of the Wireless Entities;

   d) the activities of the Monitor and significant remaining activities; and

   e) the Monitor's recommendation in respect of the Applicants' motion for a Vesting Order and other ancillary relief.

DISCLAIMER

4. In preparing this Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records prepared by Mobilicity, and discussions with management of the Applicants ("**Management**") (collectively, the "**Information**"). Except as described in this Report in respect of the Applicants' cash flow statement:

a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Canadian Institute of Chartered Accountants Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

CONTEXT

5. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian dollars.

6. For convenience, capitalized terms not defined in this Report are as defined in the affidavit of William Aziz in his capacity as CRO of the Applicants dated June 27, 2015 (the "**Aziz Affidavit**").

7. Copies of this Report and other court material filed in connection with these CCAA proceedings may be obtained from the Monitor's website established in connection with these proceedings (www.ey.com/ca/mobilicity) (the "**Monitor's Website**").

BACKGROUND TO SALE AGREEMENT, CLOSING AND VESTING

8. As described in the Thirteenth Report of the Monitor, the Applicants conducted extensive sale and refinancing initiatives prior to the commencement of the CCAA Proceedings. The results of those efforts and the Applicants' efforts during the CCAA Proceedings resulted in the binding letter agreement between Holdings and Wireless (collectively, the "**Vendors**") and Rogers Communications Inc. (the "**Purchaser**") dated June 23, 2015 (the "**Sale Agreement**"), which is also described in the Thirteenth Report of the Monitor. That Sale Agreement was authorized and approved by this Court on June 24, 2015.

9. Subsequent to the completion of the Sale Agreement, the Vendors and the Purchaser, with the assistance of the Monitor and its legal counsel, have been engaged in extensive efforts to conclude the transaction.

10. At the conclusion of the transaction, the Purchaser will own all the shares of Wireless and all shareholder agreements will be terminated. The Applicants have requested that Wireless pay the cash it holds immediately prior to closing to Holdings (or to the Monitor on behalf of Holdings) and that the Monitor will hold the sale proceeds on behalf of Wireless and Holdings pending a distribution. This will allow the transaction to close, while giving effect to the releases contemplated in the Aziz Affidavit. Distributions of the Wireless Loan Amount (as defined herein) and the Residual (as defined herein) will then be completed by the Monitor after the closing subject to further order of this Court. The Monitor believes this structure is practical in that it allows the closing to proceed while not prejudicing those entitled to a distribution of the Wireless Loan Amount or Residual.

11. The Sale Agreement requires that an order be granted, among other things:

a) vesting in the Purchaser all of Holdings' right, title and interest in and to the Purchased Shares and the Holdings Claims free and clear of all encumbrances;

b) confirming that the claims (other than claims under the Catalyst First Lien Notes) and the security of all secured creditors (other than certain permitted liens) against Wireless will be released and discharged and that such secured creditors (other than Catalyst) shall look to satisfy such claims against a portion of the cash amounts delivered by the Purchaser to Holdings and Wireless in connection with the Sale Agreement; and

c) releasing all claims and security of all creditors, including secured creditors, against Holdings with respect to the DIP Notes, the First Lien Notes and the Second Lien Notes upon payment of amounts owing under the DIP Notes, the First Lien Notes (other than the Catalyst First Lien Notes) and the Second Lien

Notes from a portion of the proceeds of the transaction and releasing Holdings from any other claims being assumed by Wireless and the security therefor.

12. Some key terms of the Sale Agreement which are relevant are as follows:

a) A portion of the purchase price of $465 million (which amount is subject to adjustments) will be loaned by the Purchaser to Wireless (the "**Wireless Loan Amount**") to repay:

i. advances made under the DIP Notes which remain outstanding in the amount of approximately $1.9 million (the "**DIP Amount**");
ii. the amount outstanding in respect of the First Lien Notes upon closing with the exception of the secured obligations held by Catalyst Capital Group Inc. or funds managed by it (collectively, "**Catalyst**") which will continue to be an obligation of Wireless at the conclusion of the transaction;
iii. the amount outstanding in respect of the Second Lien Notes;

b) The remaining funds held by or on behalf of Holdings will be paid out to the remaining unsecured creditors of Holdings on a *pro rata* basis; and

c) All other liabilities, including trade liabilities, employee obligations and contracts of Wireless, will continue unaffected. They will be dealt with in the ordinary course of business by the Purchaser, enabling it to continue the business of Mobilicity as a going concern from and after the closing date.

13. The Applicants are seeking an Order from the Court vesting the Purchased Assets in the Purchaser. The Monitor has read the Aziz Affidavit and has no information to the contrary respecting the compromise of any known creditor of Wireless on a non-consensual basis, including not being aware of any other creditors at Wireless. Accordingly, the Monitor believes the releases sought in the proposed order are appropriate.

14. As contemplated in the proposed Vesting Order sought by the Applicants, upon delivery of the Monitor's Certificate, the transaction will be closed.

TERMINATION OF PROCEEDINGS

15. Upon the delivery of a Monitor’s Certificate, the transaction will be closed and there will no longer be a need for the CCAA proceeding to continue with respect to the Wireless Entities, except to the extent that they assists the Purchaser to deal with the trade creditors effectively. Since the execution of the Sale Agreement, the Purchaser has requested that the CCAA not be terminated against the Wireless Entities for 14 days post-closing. It is the Monitor's understanding that the Wireless Entities are willing to accommodate this request. As such, the proposed, Vesting Order seeks termination of the CCAA proceedings against the Wireless Entities 14 days after the delivery of the Monitor’s Certificate. .

16. To allow for the Purchaser to operate the business of Wireless in the ordinary course once the proceeding has terminated, the proposed Vesting Order contains a provision that would prevent any contracting counterparty from exercising rights under its contracts that may be detrimental to Wireless post-closing of the Sale Agreement to the extent that those rights are exercised solely as a result of the CCAA filing of the Applicants, the insolvency of the Applicants at this time or the change of control of the Applicants contemplated by the Sale Agreement.

TERMINATION OF CRO

17. The emergence of the Wireless Entities from CCAA will of necessity discharge BlueTree, and William Aziz, on BlueTree's behalf, as Chief Restructuring Officer in respect of the Wireless Entities.

ACTIVITIES OF THE MONITOR

18. The Monitor has participated in the activities of the Applicants, and Wireless in particular, in respect of the closing of the Transaction. As such, the Monitor is aware of the efforts that the Vendors, the Purchaser and Catalyst have made to conclude the sale and obtain the Vesting Order.

19. The transaction contains terms addressing the distribution of proceeds. The Applicants have advised the Monitor that the Purchaser has agreed to defer the approval of

distributions to secured and unsecured creditors until after the transaction has closed. The purpose of the delay is to allow the Applicants and their stakeholders to address several legal, technical and logistical issues related to concluding this significant step in their restructuring efforts.

20. Holdings will seek a distribution order from this Court in due course with respect to amount properly owing to:

a) The DIP Lenders;

b) The First Lien Noteholders with the exception of the secured interest held by Catalyst;

c) The Second Lien Noteholders;

d) The Residual which is to be paid to the Unsecured Senior Notes and the Unsecured Pari Passu Notes (the "**Residual**").

MONITOR'S CONCLUSION AND RECOMMENDATION

21. The Applicants are seeking this Court's authorization for an Order:

a) Approving the vesting of the shares of Wireless Entities in the Purchaser;

b) Approving the releases detailed in the Aziz Affidavit;

c) Approving the holding of cash amounts by the Monitor on behalf of Wireless and Holdings subject to further order of this Court;

d) Ordering the following upon the delivery of the Monitor's certificate:

i. the release of the share certificates of the Wireless Entities to the Purchaser;

ii. the releases referenced in the Aziz Affidavit having effect;

iii. the termination of the CCAA Proceeding of the Wireless Entities 14 days hence; and

iv. the discharge of BlueTree and of the Chief Restructuring Officer in respect of the Wireless Entities.

22. For the reasons described in this Report, the Monitor recommends that the Court grant the relief sought by the Applicants.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 27th DAY OF JUNE 2015

ERNST & YOUNG INC.

in its capacity as the court-appointed Monitor of
Data & Audio-Visual Enterprises Holdings Inc.,
Data & Audio-Visual Enterprises Wireless Inc., and
8440522 Canada Inc.

Per:

Brian Denega
Senior Vice President