Court File No.: 13-CV- ___________

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 DATA & AUDIO-VISUAL ENTERPRISES WIRELESS INC., DATA & AUDIO-VISUAL ENTERPRISES HOLDINGS INC. AND 8440522 CANADA INC.

Applicants

PRE-FILING REPORT OF ERNST & YOUNG INC., THE PROPOSED MONITOR SEPTEMBER 29, 2013

INTRODUCTION

1. Ernst & Young Inc. ("**EY**" or the "**Proposed Monitor**") understands that 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**") have brought 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. The application proposes that EY be appointed as Monitor in the CCAA proceedings.

2. This report ("**Report**") has been prepared by the Proposed Monitor prior to and in contemplation of its appointment as Monitor in the CCAA proceedings to provide information to the Court in considering the Applicants' request for relief.

PURPOSE

3. The purpose of this Report is to provide information to the Court on:

   (a) EY's qualifications to act as Monitor;

   (b) the Applicants' proposed Debtor-in-Possession ("**DIP**") financing;

   (c) the Applicants' cash flow statement;

   (d) the Court ordered charges sought in the proposed Initial Order; and

   (e) certain other relief sought in the proposed Initial Order.

DISCLAIMER

4. In preparing this Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, unaudited financial information, books and records, financial information 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 Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed 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 Proposed Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

   (b) Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed.

5. Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

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

7. Capitalized terms not defined in this Report are defined in the application filed by Mobilicity in connection with these CCAA proceedings and the supporting affidavit of Mr. William E. Aziz, President of BlueTree Advisors II Inc., which has been retained by Holdings to provide his services as Chief Restructuring Officer of Mobilicity (the "**CRO**"), sworn on September 29, 2013 (the "**Aziz Affidavit**"), attached (without exhibits) as Appendix "**A**" to this Report. This Report should be read in conjunction with the Aziz Affidavit. The Aziz Affidavit provides information regarding Mobilicity's assets, liabilities, business and operations that will not be repeated in this Report. All capitalized terms herein shall have the meaning specified in the Aziz Affidavit unless otherwise stated herein.

8. In preparing this Report, the Proposed Monitor has been given the opportunity by the Applicants to review and comment on draft documentation being prepared by Mobilicity and its advisors primarily in relation to these CCAA proceedings.

9. The Proposed Monitor has retained Thornton Grout Finnigan LLP to act as its independent counsel in this matter.

EY'S QUALIFICATIONS TO ACT AS MONITOR

10. EY was retained by Mobilicity on December 20, 2012 to review the Applicants' available financial information and to assist Mobilicity to prepare for a CCAA filing should that course of action become necessary. In January 2013, at the request of Mobilicity, EY suspended its

work for the Applicants and returned the financial retainer that it had received from Mobilicity pursuant to its engagement letter. EY was approached again by Mobilicity in August and a refreshed engagement letter was executed dated August 13, 2013.

11. EY is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). Alex Morrison and Mike Dean, both Senior Vice-Presidents of EY, will have primary carriage of this matter. EY has been appointed as Monitor under the CCAA in many of Canada's largest restructurings and both Mr. Morrison and Mr. Dean have led EY teams on numerous CCAA engagements and other court appointments.

12. EY is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA and, in particular, neither EY nor any of its representatives has been at any time in the 2 preceding years:

(a) the auditor of any of the Applicants; or

(b) except as described above, engaged by Mobilicity in connection with any consulting or restructuring matters.

13. EY has consented to act as Monitor should the Court grant the Applicants' request to commence the CCAA proceedings.

DIP FINANCING

Projected Financing Requirement

14. Mobilicity's cash flow projection, described in greater detail in paragraphs 31 to 41 of this Report, demonstrates that, if the Applicants do not complete a sale transaction in the near future, the Applicants will require access to DIP financing in order to maintain access to operating cash within the Cash Flow Period (as defined herein), including to fund these CCAA proceedings, and to provide suppliers and customers with confidence that Mobilicity can maintain its operations.

15. As described in greater detail in the Aziz Affidavit, Mobilicity is entering into these CCAA proceedings with the intention of completing a sale of its business as a going concern, ideally

through a pending potential transaction in the near-term (the “**Potential Transaction**”). In the event that the Potential Transaction cannot be completed in the near-term, Mobilicity requires DIP financing in order to allow it an opportunity to consider its other alternatives, in consultation with the DIP Lenders.

16. Based on Mobilicity’s estimate of its monthly cash requirements Management anticipates that to continue operations until March 2014, Mobilicity would require DIP financing in an amount of approximately $30 million.

Applicants’ Analysis of DIP Financing Alternatives

17. As stated in the Aziz Affidavit, on February 6, 2013 Mobilicity entered into the Bridge Note facility, pursuant to which Mobilicity agreed to issue up to $43.25 million in second lien notes (the “**Bridge Notes**”), to be issued by Wireless and guaranteed by Holdings, to allow Mobilicity to continue operations while it pursued strategic alternatives. The Proposed Monitor has been informed by the CRO that the holders of the Bridge Notes are a number of large institutional investors who are part of a larger jointly-represented group that holds approximately 67.45% of the First Lien Notes and approximately 92% of the Unsecured Senior Notes, comprising in total more than $330 million of Mobilicity’s funded debt.

18. As a condition of the Bridge Notes facility, Mobilicity provided the issuers of the Bridge Notes with an adequate protection letter (the “**Adequate Protection Letter**”) under which the Applicants acknowledged that any subsequent interim financing, DIP financing or charges granted by any court, which would result in a breach of certain covenants of the agreement granting the Bridge Notes, could materially prejudice the Bridge Lenders. Accordingly, the Applicants agreed to consult with the Bridge Lenders regarding any such subsequent financing. The Proposed Monitor has been provided with a copy of the Adequate Protection Letter.

19. Mobilicity engaged Canaccord Genuity and National Bank Financial (collectively, its “**Financial Advisors**”) to provide services that included evaluating DIP financing options that were available to the Applicants. Mobilicity received a DIP financing proposal from jointly represented holders of the Bridge Notes. EY has been informed by the CRO that the

investors who made the DIP financing proposal (the "**DIP Lenders**") are certain members of the *ad hoc* committee of Noteholders, which are holders of First Lien Notes, Bridge Notes and Unsecured Senior Notes.

20. Following discussions with its Financial Advisors and legal counsel, Mobilicity determined that the proposal provided by the holders of the Bridge Notes was in the best interests of Mobilicity and the best alternative available in the circumstances. Management has advised EY that, in arriving at that conclusion, Mobilicity was contacted by several other potential DIP financing sources, including Catalyst Capital Group Inc., and engaged in discussions with those sources. The proposed DIP Lenders were advised about those discussions and also invited to participate in certain of those discussions. Management has also advised EY that Mobilicity and its Financial Advisors evaluated the other DIP financing options available based upon quantum, conditions, price, ranking of security and execution risk and concluded that the DIP financing option presented by the holders of the Bridge Notes was the best available option in the circumstances. The Proposed Monitor has been provided with a confidential summary of the proposal provided by the holders of the Bridge Notes and the other unsolicited DIP financing proposals that Mobilicity received; that confidential summary indicates that in all other DIP financing proposals, the proposed financing would have ranked in priority to the Bridge Notes and, in all but one case, in priority to the First Lien Notes.

21. It is the Proposed Monitor's information that the DIP financing option presented by the holders of the Bridge Notes is therefore the only DIP financing option currently available to Mobilicity that (i) offered to make available to the Applicants, subject to certain terms and conditions as discussed below, the amount of additional liquidity that Management estimates is necessary to pursue its alternatives with respect to a sales transaction or other alternative, and (ii) offered to take security for that funding that would not rank in priority to the First Lien Notes or the Bridge Notes. It is also the Proposed Monitor's understanding that the Proposed DIP Agreement (as defined below) is supported by the jointly-represented group that holds more than $330 million of Mobilicity's funded debt.

Terms of Proposed DIP Agreement

22. Mobilicity has negotiated a DIP Note Purchase and Guarantee Agreement (the "**Proposed DIP Agreement**") with the DIP Lenders. A copy of a redacted version of the Proposed DIP Agreement is attached as Exhibit "EE" to the Aziz Affidavit. The Proposed DIP Agreement is subject to confidentiality provisions regarding the disclosure of certain of the information contained therein. However, the major terms and conditions of the Proposed DIP Agreement are not confidential and are summarized in the following sections.

Amount and Structure of Facility

23. The Proposed DIP Agreement provides the Applicants with liquidity through the issuance of senior second lien secured debtor-in-possession promissory notes (the "**DIP Notes**") in an aggregate principal amount not to exceed $30 million, subject to certain conditions and milestones.

24. The Proposed DIP Agreement contemplates the issuance of the DIP Notes in tranches, based on the weekly cash flow forecast prepared by the Applicants and approved by the DIP Lenders, subject to certain milestones, covenants and conditions. The first tranche of funding is in the principal amount of $3.2 million, the second, third and fourth tranches are each in the principal amount of $7.5 million and the fifth and final tranche is in the principal amount of $4.3 million (the second, third, fourth and fifth tranche being the "**Subsequent Tranches**"). At the option of the DIP Lenders, in each case after consultation with Mobilicity and subject to any applicable corresponding reductions in fees and interest payable, any given tranche may be issued in sub-tranches based on the funding requirements of Mobilicity at such time in an amount sufficient to ensure that the consolidated cash balance of Mobilicity shall not fall below $2 million based on and in accordance with the applicable weekly cash flow forecast.

25. The major milestones and conditions precedent to the issuance of the tranches of DIP Notes include the following:

(a) For the first tranche in the principal amount of $3.2 million (or sub-tranches thereof):

i. The issuance of the Initial Order, including the proposed DIP Lenders' Charge (as defined herein), in form and substance satisfactory to the DIP Lenders;

ii. satisfaction with the scope and extent of the authority of the CRO;

iii. execution and delivery of all security documents relating to the Proposed DIP Agreement;

iv. satisfaction of the DIP Lenders with Mobilicity's weekly cash flow forecast for the first 13 weeks after approval of the Proposed DIP Agreement;

v. satisfaction that no event of default exists under the DIP; and

vi. certification by the CRO (including evidence satisfactory to the DIP Lenders and their advisors) that Mobilicity has available cash in an amount not exceeding $2.0 million and that the issuance of the first tranche of DIP Notes is necessary to the Applicants; and

(b) For each Subsequent Tranche (or sub-tranches thereof):

i. The Initial Order, including the proposed DIP Charge, shall be in full force and effect and any applicable appeal period in respect thereof shall have expired or, if an appeal was filed, such appeal shall have been finally dismissed;

ii. The satisfaction of the DIP Lenders, acting reasonably, that there has been no material adverse change in the restrictions on Mobilicity's ability to transfer its spectrum licences to a company that does not meet the criteria of a new entrant;

iii. The DIP Lenders shall be satisfied with the status of any Approved Transaction (defined in the Proposed DIP Agreement to include a sale, change of control or plan of arrangement) or Restructuring Alternative (defined in the Proposed DIP Agreement to mean any restructuring, plan of arrangement or compromise, other transaction or any other alternative steps taken with respect to Mobilicity). Specifically:

(I) On or before October 24, 2013 (or a different date agreed to by Wireless and the DIP Lenders) Mobilicity shall have determined and presented to the DIP Lenders the proposed Restructuring Alternative, commenced the Restructuring Alternative with the prior consent of the DIP Lenders, or commenced the Restructuring Alternative at the request of the DIP Lenders,

(II) the DIP Lenders shall be satisfied with an Approved Transaction on or before November 12, 2013 (or a different date agreed to by Wireless and the DIP Lenders), or the DIP Lenders shall be satisfied with the status of the Restructuring Alternative; and

(III) there shall be no adverse change in the status of any Approved Transaction or Restructuring Alternative since the closing date of the immediately preceding tranche;

iv. The amendment, restatement or other resolution of certain specified agreements with each of Ericsson, Amdocs and Ingram, in a manner satisfactory to the DIP Lenders, by no later than November 12, 2013. As discussed in the Aziz Affidavit, certain key operational functions of Mobilicity have been outsourced to Ericsson, Amdocs and Ingram;

v. Certification by the CRO (including evidence satisfactory to the DIP Lenders and their advisors) that Mobilicity's actual cash flows (excluding professional fees) from the issuance date of the previous tranche to the relvant closing date for the subsequent tranche do not vary by more than 5% and the professionals fees do not vary by more than 10% from the approved weekly cash flow forecast for the same period (provided that any such adverse variance in respect of the professional fees of the Monitor and its counsel must be subject to an order of the CCAA Court before being taken into account for purposes of that provision); and

vii. Certification by the CRO (including evidence satisfactory to the DIP Lenders and their advisors) that Mobilicity has available cash in an amount not exceeding $2.0 million and that the issuance of the applicable tranche of DIP Notes is necessary to the Applicants.

26. The obligations of the DIP Lenders under the Proposed DIP Agreement are strictly several, not joint or joint and several. The Proposed DIP Agreement specifies that (i) if a particular DIP Lender is not satisfied with one or more qualitative conditions precedent for a Subsequent Tranche, that DIP Lender is not obliged to fund its share of the Subsequent Tranche, and (ii) to the extent any DIP Lender does not fund its share of any Subsequent Tranche, none of the other DIP Lenders is obliged to fund any following Subsequent Tranche.

Facility Priority

27. Advances under the Proposed DIP Agreement would rank behind the First Lien Notes, the Administrative Charge, the KERP Charge and the Directors' Charge (each as defined herein), and *pari passu* with the Bridge Notes. The principal amount owed under the First Lien Notes (as at July 31, 2013, as reported in the Aziz Affidavit) and the amounts of the Administrative Charge, the KERP Charge and the Directors' Charge is approximately $212 million in the aggregate.

Payment of Interest and Fees

28. The DIP Notes bear interest at a rate of 15.5% per annum, payable in cash monthly in arrears.

29. The Proposed DIP Agreement contemplates that Mobilicity will pay a DIP funding fee in the aggregate amount of up to $3,000,000, payable in kind through the issuance of additional DIP Notes, to be issued at the closing date of each tranche or sub-tranche of funding in a principal amount equal to 10% of the funds actually drawn under any such tranche or sub-tranche.

Covenants and Limitations

30. The Proposed DIP Agreement contains a number of covenants and other contractual limitations on potential actions of Mobilicity. These covenants and limitations include the following:

(a) Mobilicity may only make an interest payment in respect of the First Lien Notes with the prior unanimous consent of all the DIP Lenders;

(b) (I) (A) Mobilicity shall have determined and presented to the Purchasers the proposed Restructuring Alternative on or prior to October 24, 2013 or such other date as Wireless and the DIP Lenders may agree or (B) commenced the Restructuring Alternative on or prior to October 24, 2013, or such other date as Wireless and the DIP Lenders may agree, with the prior consent of the DIP Lenders or (C) if requested by the DIP Lenders, commenced the Restructuring Alternative on or prior to October 24, 2013 or such other date as Wireless and the DIP Lenders may agree, and

(II) Mobilicity and the DIP Lenders shall have agreed upon an Approved Transaction by November 12, 2013, or such other date as Mobilicity and the DIP Lenders may agree, or the DIP Lenders shall be satisfied with the status of the Restructuring Alternative;

(c) Amounts outstanding under the Proposed DIP may only be voluntarily repaid (i) if the Initial Order is granted but then any aspect of the Initial Order that approved any aspect of the DIP Notes is subsequently reversed, vacated or rescinded on appeal, or (ii) upon the simultaneous prepayment in full of all amounts then outstanding (including any unpaid and accrued interest and fees and expenses payable) in respect of the Bridge Notes;

(d) all motions, applications or proposed orders or other material or documents that Mobilicity intends to file in the proposed CCAA proceeding must be provided to the DIP Lenders and their counsel at least 3 days prior to such filing or, failing that, as soon as possible, and must be in form and substance satisfactory to the DIP Lenders and their counsel. In addition, any and all materials in respect of a proposed plan of arrangement or transaction shall only be submitted to the Court in a form confirmed in advance to be satisfactory to the DIP Lenders or their counsel;

(e) the DIP Lenders shall be entitled to have an observer attend all board and committee meetings of Mobilicity;

(f) Mobilicity shall not participate in any material discussions with any party (other than their own legal and financial advisors) with respect to the CCAA proceedings or any potential transaction or Restructuring Alternative without providing (i) reasonable notice to the DIP Lenders and their counsel, and (ii) an opportunity for a legal representative or any financial advisor to the DIP Lenders to participate in such discussions;

(g) Mobilicity shall not participate in any material discussion with any regulator with respect to the CCAA proceedings or any potential transaction or Restructuring Alternative without providing the DIP Lenders a reasonable opportunity to participate in such discussions unless a regulator explicitly requests a discussion without the DIP Lenders or their counsel present;

(h) Each of the Ericsson Agreement, the Amdocs Agreement and the Ingram Agreement shall be amended and restated or otherwise addressed pursuant to the CCAA by no later than November 12, 2013, or such other date as Wireless and the DIP Lenders may agree, in a manner satisfactory to the DIP Lenders; and

(i) the existence of an adverse variance of actual Professional Fees of any advisor from the amount set out therefor in the Cash Flow Forecast by an amount exceeding 15% in respect of any preceding four week period as reflected in the Cash Flow Forecast will constitute an event of default under the Proposed DIP Agreement (provided that such an adverse variance in respect of the professional fees of the Monitor and its counsel must be subject to an order of the CCAA Court before being taken into account for purposes of that provision).

APPLICANTS' CASH FLOW STATEMENT

31. The Applicants, with the assistance of the Proposed Monitor, have prepared a 13 week cash flow projection (the "**Cash Flow Statement**") for the period from September 21, 2013 to December 20, 2013 (the "**Cash Flow Period**") for the purposes of projecting the estimated results of the Applicants' planned operating and other activities during the Period (as defined therein) and determining the quantum of DIP financing it would seek. A copy of the Cash Flow Statement is attached as Appendix "**B**" hereto.

32. The Cash Flow Statement is presented on a weekly basis during the Cash Flow Period and represents the estimates of Management of the projected cash flow during the Cash Flow Period. The Cash Flow Statement has been prepared by Management of the Applicants, using the probable and hypothetical assumptions set out in notes 1 to 17 to the Cash Flow Statement (the "**Probable and Hypothetical Assumptions**" or the "**Assumptions**").

33. At this time, the Applicants' Cash Flow Statement estimates that during the Cash Flow Period, the Applicants will have total receipts of approximately $18.2 million and total disbursements of approximately $25.5 million. The Applicants' cash position at the commencement of the CCAA proceedings is estimated to be approximately $7.7 million and during the Cash Flow Period the Applicants are projected to consume this balance and to receive total proceeds of approximately $6.4 million from the issuance of DIP Notes.

34. The Cash Flow Statement projects that, subject to the DIP Financing being approved by this Court, the Applicants will have sufficient liquidity to continue operations and to pay professional fees as set out in the Cash Flow Statement during the Cash Flow Period.

35. The Proposed Monitor has reviewed the Cash Flow Statement to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. The Canadian Association of Insolvency and Restructuring Professionals standards of professional practice include a standard for monitors fulfilling their statutory responsibilities under the CCAA in respect of a monitor's

report on a Cash-Flow Statement. A copy of Standard 09-1 Cash Flow Statement is attached hereto as Appendix “**C**”.

36. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussion related to information supplied to it by certain key members of Management and employees of the Applicants. Since the Probable and Hypothetical Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposed Monitor also reviewed the support provided by Management for the Probable and Hypothetical Assumptions and the preparation and presentation of the Cash Flow Statement.

37. The Proposed Monitor has discussed with Management and Mobilicity’s counsel the projected payments for outsourced operations, which represent critical business process functions including network building and maintenance, call centre operations, handset logistics and distribution, and billing systems, and has reviewed certain of the underlying agreements and other relevant documentation. Based on these discussions, the Proposed Monitor notes that interruption of supply or adverse changes to existing supply terms and conditions could have a significant and immediate detrimental effect on the Applicants’ business, operations and cash flow and could trigger a negative variance that would constitute an event of default under the Proposed DIP Agreement. The Cash Flow Statement makes the significant assumption that each of these service providers will continue to provide service to the Applicants under their normal credit terms or that, to the extent additional payments to these Service Providers were required, the DIP Lenders would consent to the payments, and the consequent amendment of the Cash Flow Statement, and would advance the additional funding required. There is currently no certainty that actual events will follow either of these assumptions.

38. The projected fees and expenses of the restructuring professionals including counsel to Mobilicity, counsel to the *ad hoc* committee of Noteholders and to the DIP Lenders, the Monitor, and the Monitor’s counsel have been estimated assuming a typical level of activity and do not reflect significant post-filing litigation with any creditors.

39. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:

(a) the Probable and Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Statement;

(b) as at the date of this Report, the Probable and Hypothetical Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Statement, given the Probable and Hypothetical Assumptions; or

(c) the Cash Flow Statement does not reflect the Probable and Hypothetical Assumptions.

40. Since the Cash Flow Statement is based on Assumptions regarding future events, actual results will vary from the information presented even if the Probable and Hypothetical Assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Statement will be achieved. In addition, the Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of the financial information presented in the Cash Flow Statement, or relied upon by the Proposed Monitor in preparing this Report.

41. The Cash Flow Statement has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

COURT ORDERED CHARGES SOUGHT IN THE PROPOSED INITIAL ORDER

42. The proposed Initial Order provides for a number of charges including:

Administration Charge

43. The proposed Initial Order provides for a charge in the amount of $10 million in favour of the Chief Restructuring Officer, counsel to Mobilicity, the Monitor, independent counsel to the Monitor, counsel to the *ad hoc* committee of Noteholders and to the DIP Lenders, the Financial Advisors to Mobilicity, and counsel that may be retained by the boards of directors of the Applicants (the "**Administration Charge**"), as security for their professional fees and

disbursements incurred both before and after the making of the Initial Order in respect of these proceedings.

44. The proposed Administration Charge is calculated based on an estimated total monthly disbursement for each of the beneficiaries of the proposed charges as well as the success fees of National Bank Financial, Canaccord Genuity and the CRO as set out in their respective engagement letters.

45. The Administration Charge is proposed to rank behind the First Lien Notes, which have a principal amount of $195 million plus accrued interest owing thereunder. Although it is unusual to have the charge for the fees and expenses of the Monitor and its counsel rank in a subordinated position, the Proposed Monitor is satisfied that the ranking is appropriate in the circumstances, including pre-filing third party indications of value of Mobilicity's assets and the weekly payment mechanism Mobilicity has agreed to implement with respect to the fees of the Monitor and its counsel. The Proposed Monitor wishes to assure the Court that the Proposed Monitor and its counsel will be able to act with appropriate objectivity that is required by a Court officer.

46. The Proposed Monitor is of the opinion that the Administration Charge is required and is reasonable in the circumstances.

KERP Charge

47. The proposed Initial Order authorizes and directs the Applicants to make payments to certain Key Employees pursuant to the Key Employee Retention Plan (both as discussed in the immediately following paragraphs) and provides for a charge in the amount of $600,000 to secure the payment of that obligation (the "**KERP Charge**"). The KERP Charge is proposed to rank behind the First Lien Notes and to rank *pari passu* with the Administration Charge.

48. The Aziz Affidavit states that the Key Employees will be essential to the Applicants' efforts to pursue the Proposed Transaction and other alternatives and explains the factors considered by the Applicants to design the Key Employee Retention Plan, details of which are described

in a summary attached as Confidential Exhibit "W" to the Aziz Affidavit. The KERP Charge reflects the amount potentially payable under the Key Employee Retention Plan.

49. The proposed Monitor has reviewed the calculation of the proposed amount of the KERP Charge and certain supporting information in respect thereof. The Proposed Monitor is of the view that the KERP Charge is required and is reasonable under the circumstances.

50. The Proposed Monitor understands that in addition to the summary of the Key Employee Retention Plan attached as Confidential Exhibit "W" to the Aziz Affidavit, the financial terms of each participant's benefits under the Key Employee Retention Plan are reflected in agreements attached as confidential Exhibits "X" through "DD" to the Aziz Affidavit. The Proposed Monitor also supports the Applicants' request that in order to prevent private and confidential information about individual employees from being publicly disclosed, the Court make an order sealing confidential Exhibits "W" through "DD" to the Aziz Affidavit.

Directors' and Officers' Charge

51. The proposed Initial Order provides for a charge in an amount not to exceed $550,000 (the "**D&O Charge**") in favour of the Applicants' directors and officers as security for any obligations or liabilities that may arise after the commencement of the CCAA proceedings, except to the extent that such obligation or liability is incurred as a result of such director's or officer's gross negligence or wilful misconduct. Specifically, the proposed D&O Charge is intended to protect the directors and officers if the Applicants fail to pay amounts in respect of employee or former employee entitlements, statutory deemed trust amounts in favours of the Crown which are required to be deducted from employees' wages, including amounts in respect of employment insurance, Canada Pension Plan and income taxes; and any amounts payable to the Crown or any taxation authority in respect of municipal realty, municipal business or other taxes, which are entitled at law to be paid in priority to claims of secured creditors.

52. The Proposed Monitor reviewed the calculation of the D&O Charge that was prepared by the Applicants taking into consideration the amount of the Applicants' payroll, vacation pay, and tax liabilities.

53. Mobilicity's existing insurance policy in respect of directors' and officers' liability provides coverage for up to $10 million in claims per policy period in the aggregate (including defence costs), plus $10 million in excess coverage. The current policy covers the period from July 1, 2013 to June 30, 2014 and covers all of the Applicants.

54. It is contemplated that the D&O Charge will be subordinate to the Administration Charge as set out in the proposed Initial Order.

55. The Proposed Monitor is of the view that the D&O Charge is required and is reasonable under the circumstances.

DIP Lenders' Charge

56. As discussed above, the Applicants have negotiated a DIP Agreement with the DIP Lenders in which the DIP Lenders will provide DIP financing (up to a maximum of $30 million) to the Applicants during the course of these CCAA proceedings.

57. It is a condition to the DIP Facility that the Initial Order provides for a Court-ordered charge (the "**DIP Lenders' Charge**") over the assets of the Applicants in priority to all Encumbrances (as defined in the proposed Initial Order) except for the First Lien Notes, the Administration Charge, the KERP Charge and the D&O Charge.

58. The comments of the Proposed Monitor with respect to the Proposed DIP Agreement, including the proposed DIP Lenders' Charge, are provided above. The Proposed Monitor is of the view that the DIP Lenders' Charge is required and is reasonable in the circumstances and in view of the Applicants' liquidity needs.

CERTAIN OTHER RELIEF SOUGHT IN THE PROPOSED INITIAL ORDER

Dealer Commissions

59. As discussed in greater detail in the Aziz Affidavit, Mobilicity sells its cellular services and handsets through a mixture of corporately-owned stores and authorized dealers, which includes free standing stores and retail vendors. The authorized dealers are referred to collectively below as the "**Dealers**"). In addition to its five corporately-owned stores,

Mobilicity has more than 314 points of distribution through 94 exclusive and 150 non-exclusive Dealer retail locations. The exclusive Dealers are compensated solely through a flat-fee commission for each new customer that is signed up, whereas the non-exclusive Dealers also purchase handsets from Mobilicity, mark up the handsets and retain the margin. Mobilicity pays the commissions to the Dealers approximately 45 days after the end of the month in which the new customer was signed up, subject to certain customer retention requirements.

60. Management has informed the Proposed Monitor that, as of the date of this Report, total commissions of approximately $1.45 million were owed to the Dealers for August and September sales. The Applicants are seeking authorization from the Court to pay the outstanding commissions as they come due.

61. Management has expressed the view that if the outstanding commissions were not paid it might result in the bankruptcy of many or all of the Dealers. The Proposed Monitor understands that the Dealers are essential points of contact for both the retention of existing customers and potentially signing up new customers and that protection of the Dealer network is therefore important for the preservation of Mobilicity's enterprise value. Consequently, the Proposed Monitor supports the Applicants' request for authorization to pay the outstanding Dealer commissions as they come due.

CRO and Financial Advisors' Fees

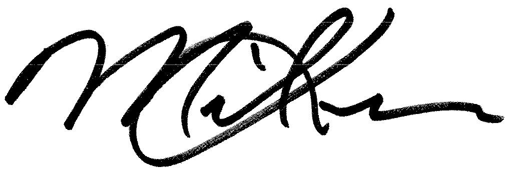
62. The proposed Initial Order contemplates that the engagement letters of the CRO and the Financial Advisors will be sealed as confidential exhibits. Mobilicity provided copies of all three engagement letters to the Monitor. Based on its review of the engagement letters, the Monitor is of the view that the fee arrangements agreed to by Mobilicity in those engagement letters are reasonable and consistent with the fee arrangements in other engagements of similar size, scope and complexity.

All of which is respectfully submitted this 29th day of September, 2013.

ERNST & YOUNG INC.

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

Per:



Mike Dean
Senior Vice-President

Alex Morrison
Senior Vice-President

Court File No. ____________

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., AND DATA & AUDIO-VISUAL ENTERPRISES HOLDINGS INC.

Applicants

AFFIDAVIT OF WILLIAM E. AZIZ
(sworn September 29, 2013)

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Applicants

AFFIDAVIT OF WILLIAM E. AZIZ
(sworn September 29, 2013)

I, **WILLIAM E. AZIZ**, of the Town of Oakville, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the President of BlueTree Advisors II Inc. ("**BlueTree**"), which has been retained by Data & Audio-Visual Enterprises Holdings Inc. ("**Holdings**") to provide my services to Holdings and its affiliates[1] (collectively, with Holdings, the "**Mobilicity Group**") as Chief Restructuring Officer of the Mobilicity Group. I report to the board of directors of Holdings. I am a director of each of the Mobilicity Group entities. BlueTree was retained pursuant to an Engagement Letter dated April 24, 2013 (the "**CRO Engagement Letter**").

2. I have more than 24 years of turnaround and corporate restructuring experience. I have led restructurings as an executive or board member involving all aspects of balance sheet and operational restructurings in diverse industries, including telecommunications (such as SR Telecom, a broadband wireless infrastructure enterprise), softwood lumber,

[1] The affiliates of Holdings are 8440522 Canada Inc. and Data & Audio-Visual Enterprises Wireless Inc.

steel manufacturing, refrigerated warehousing, transportation, retail, manufacturing and media.

3. I also have extensive experience as an independent director. I am currently a director, member of the Governance Committee and Chair of the Audit Committee for Canada Bread Company, Limited. I have previously served as:

(a) Chair of the Investment Committee and a member of the Human Resources Committee of OMERS;

(b) a board member of Tecumseh Products Company (Michigan) where I chaired the Governance and Nominating Committee and was a member of the Audit Committee;

(c) a board member of Sun-Times Media Group, Inc. (Chicago); and

(d) a member of the Restructuring Committee, and Chair of the Audit and Governance Committees of Doman Industries Limited (British Columbia).

4. I am a Chartered Accountant and an alumnus of Ernst & Young. I am a graduate of the Ivey School of Business at the University of Western Ontario. I have completed the Institute of Corporate Directors Governance College at the Rotman School of Business, University of Toronto.

5. I have been overseeing the restructuring efforts of the Mobilicity Group since April 24, 2013 and, as such, I have knowledge of the matters to which I hereinafter depose, except where otherwise stated. I have reviewed the material records of the Mobilicity Group and have spoken with certain of the directors, officers, advisors and/or employees of the Mobilicity Group, as necessary, and, where I have relied upon such information, I believe such information to be true.

I. INTRODUCTION

6. This affidavit is sworn in support of an application for an order (the **"Initial Order"**) pursuant to the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), by the entities that comprise the Mobilicity Group.

7. The Mobilicity Group carries on business as a Canadian wireless telecommunications carrier.

8. The Mobilicity Group has experienced significant financial challenges in the preceding months. The Mobilicity Group has pursued a variety of financing, sale and restructuring alternatives in an effort to resolve these financial challenges. In particular, and as further described below:

(a) With the assistance of its financial and legal advisors, the Mobilicity Group solicited interest and discussed potential financing and sale transactions with multiple parties. These efforts commenced in July of 2012, have continued to date and remain ongoing.

(b) In February 2013, the Mobilicity Group obtained $35 million in bridge financing to provide it with the funding necessary to explore various strategic alternatives. The parties who provided the bridge financing are certain noteholders from the Ad Hoc Committee of Noteholders (as defined below).

(c) In May 2013, after discussions with multiple parties, the Mobilicity Group reached an agreement with TELUS Corporation whereby TELUS Corporation would acquire the Mobilicity Group on a going-concern basis for $380 million[2] pursuant to a plan of arrangement under the *Canada Business Corporations Act*. This transaction was supported by the Ad Hoc Committee of Noteholders, approved by substantial majorities of the Mobilicity Group's

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[2] In addition to the $380 million purchase price, TELUS Corporation also agreed to assume $35 million of negative working capital.

creditors and was approved as fair and reasonable by the Ontario Superior Court of Justice. This transaction would have preserved the Mobilicity Group's ability to continue as a going concern and would have resulted in the optimal outcome in the circumstances for the Mobilicity Group, its employees, customers, creditors and other stakeholders. However, the federal Minister of Industry announced in June 2013 that Industry Canada would not approve the transfer of the Mobilicity Group's spectrum licenses to TELUS Corporation at that time. As a result of the decision of the Minister of Industry at that time, the transaction could not be completed.

(d) The Mobilicity Group has continued to solicit and pursue discussions with multiple parties. As part of those efforts, the Mobilicity Group solicited and received an expression of interest and engaged in detailed discussions with a significant U.S.-based wireless service provider; however, after significant due diligence these discussions did not ultimately result in a binding offer due to uncertainty surrounding the Government's upcoming spectrum auction.

(e) The Mobilicity Group has recently approached representatives of the Minister of Industry with another potential sale transaction (the "**Proposed Transaction**"). However, the Mobilicity Group has not received the necessary approvals from the Minister of Industry for the Proposed Transaction at this time. As a result, the Mobilicity Group is not in a position to advance and complete the Proposed Transaction in time to avoid these CCAA proceedings. The Mobilicity Group continues to engage in discussions with the Government in an effort to advance and complete the Proposed Transaction as soon as possible.

9. The Mobilicity Group continues to explore and advance solutions to its financial challenges. However, the Mobilicity Group now faces an immediate liquidity crisis. Without the protection of the CCAA, an imminent shutdown of operations of the Mobilicity Group would be inevitable. CCAA protection in the form proposed by the Mobilicity Group will allow the Mobilicity Group the additional time and funding it needs to continue to pursue the Proposed Transaction and any other available alternatives.

10. All necessary board and shareholder authorizations have been obtained for this application.

11. The Mobilicity Group also understands that this application is supported by an ad hoc committee of the Mobilicity Group's significant creditors, who collectively represent approximately 92% of the principal value of the Unsecured Senior Notes, 100% of the principal value of the Bridge Notes and 67% of the principal value of the First Lien Notes (each as defined below) (the "**Ad Hoc Committee of Noteholders**").

II. MOBILICITY

A. Corporate Structure

12. The Mobilicity Group's corporate structure consists of the following entities:

(a) **Holdings**: a private company incorporated under the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B. 16 ("**OBCA**") in March 2008. Holdings holds 100% of the shares of Wireless (as defined below) and carries on no active operations. Holdings' registered head office is located at 101 Exchange Avenue in Vaughan, Ontario.

(b) **Data & Audio-Visual Enterprises Wireless Inc.** ("**Wireless**"): the operating entity of the Mobilicity Group, is a private company which was incorporated under the OBCA in March 2008 and wholly owned by Holdings. Wireless' registered head office is located at 101 Exchange Avenue in Vaughan, Ontario. Data & Audio-Visual Enterprises Leasing Inc. ("**Leasing**") was amalgamated with Data & Audio-Visual Enterprises Wireless Inc. to form Wireless on May 15, 2013.

(c) **8440522 Canada Inc. ("844")**: a private company incorporated under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 ("**CBCA**") that is wholly-owned by Wireless. Its registered head office is located at 101

Exchange Avenue in Vaughan, Ontario. 844 has no material assets nor any liabilities.

13. As of the date of this Affidavit, the authorized capital of Holdings consists of:

(a) an unlimited number of Common Shares, of which 4,995,211 Common Shares are issued and outstanding. Data & Audio-Visual Enterprises Investments Inc. ("**Investments**") holds 3,330,141 Common Shares and QCP CW S.A.R.L. ("**Quadrangle**") holds the other 1,665,070 Common Shares; and

(b) an unlimited number of non-voting Class B shares, of which 20,204,790 Class B shares are issued and outstanding. All of Holdings' Class B shares are held by Quadrangle. Holdings' Class B shares are convertible at the option of the holder on a one-for-one basis into Common Shares, subject to certain regulatory restrictions and compliance requirements.

14. Investments holds an approximately 13.2% equity interest and a 66.7% voting interest in Holdings. Quadrangle holds an approximately 86.8% equity interest and 33.3% voting interest in Holdings (each on a non-diluted basis).

15. Holdings and Wireless are parties to a Second Amended and Restated Shareholders Agreement with Quadrangle and Investments dated as of May 14, 2010, a copy of which is attached hereto as Exhibit "A".

16. Wireless operates under a unanimous shareholder declaration dated August 1, 2008, a copy of which is attached hereto as Exhibit "B".

17. The Mobilicity Group and its member companies have financial inter-relationships and common interests and operate with a common business plan and governance model. There are no minority shareholders of Wireless or 844. As set out below, Holdings has guaranteed certain debts of Wireless, and Holdings has raised hundreds of millions of dollars by way of

equity and debt financing that it has contributed to Wireless, and which Wireless has used in furtherance of the Mobilicity Group's business, as a whole.

B. The Business of the Mobilicity Group

Overview

18. As stated above, the Mobilicity Group carries on business as a Canadian wireless telecommunications carrier. It provides cellular service to Canadians in five urban markets across Canada: Ottawa, Toronto, Calgary, Edmonton and Vancouver, and has roaming agreements to provide continuity of service to its customers when they are travelling outside these markets. In addition to voice, text, data and long distance cellular services, the Mobilicity Group offers hardware (handsets and accessories) to its customers, referred to as "subscribers" in the telecommunications industry.

19. The Mobilicity Group was founded on the concept of offering low cost cellular services to value-conscious consumers who are seeking less expensive cellular services than those offered by the established players in the market, being Bell Canada Inc., TELUS Corporation and Rogers Communications Inc. (together, the "**Incumbents**").

Spectrum Licences

20. All wireless communications signals travel over the air via radio frequency signals called "spectrum". Spectrum is a finite public resource that is controlled and regulated by the Government of Canada. Industry Canada oversees spectrum licensing and auctions.

21. In 2008, Industry Canada released a new cache of spectrum licences by holding an auction (the "**2008 Spectrum Auction**") for qualified bidders. At the 2008 Spectrum Auction, Wireless acquired 10 licences (the "**Spectrum Licences**") for $243 million, effective

February 2009. The Spectrum Licences have an initial term of 10 years and will expire in February 2019. Renewal of the Spectrum Licences will be determined by Industry Canada at a later date. The Spectrum Licenses continue to be valuable assets of the Mobilicity Group.

22. Applicable conditions state that the Spectrum Licenses may not be transferred or leased to, acquired by means of a change in ownership or control of the licensee, divided among, or exchanged with companies that do not meet the criteria of a new entrant[3], for a period of five years from the date of issuance. In the case of the Spectrum Licenses, that five year period expires on February 12, 2014 (the "**Moratorium Termination Date**").

23. In June 2013, Industry Canada announced that it will be holding another spectrum auction on January 14, 2014 (the "**2014 Spectrum Auction**"). Those intending to bid in the 2014 Spectrum Auction were required to submit a refundable deposit, together with their expression of interest, by no later than September 17, 2013. The Mobilicity Group did not make a deposit and does not intend to participate in the upcoming 2014 Spectrum Auction.

24. On September 23, 2013, Industry Canada released the list of entities who intend to participate in the 2014 Spectrum Auction. Upon reviewing this list, the Mobilicity Group learned for the first time that, in addition to the Incumbents, Feenix Wireless Inc. ("**Feenix**"), an entity wholly-owned by Mr. John Bitove, a director of Holdings that I understand indirectly controls 67% of Holdings' voting common shares, and The Catalyst Capital Group Inc. ("**Catalyst**"), the beneficial holder of approximately 30% of the First Lien Notes (as defined below), intend to participate in the 2014 Spectrum Auction. As described in greater detail below, Industry Canada has provided confirmation that the Mobilicity Group is not affiliated or associated with either Feenix or Catalyst.

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[3] A "new entrant" is an entity, including affiliated and associated entities, which holds less than 10 percent of the national wireless market based on revenue. The Mobilicity Group is a "new entrant". None of the Incumbents are "new entrants".

Business Operations

25. The Mobilicity Group was initially funded by a $250 million investment in Holdings from Quadrangle and Investments, who received equity in return. These funds were contributed to Wireless by Holdings and used predominantly for the purchase of the Licences.

26. After purchasing the Spectrum Licences, the Mobilicity Group established an office, hired a management team to develop the wireless carrier business, contracted with Ericsson Canada Inc. ("**Ericsson**") to build a network system, established key contracts with suppliers and issued its first round of debt financing. In May 2010, the Mobilicity Group began marketing and selling services to subscribers.

27. The Mobilicity Group operates on a "pay in advance" billing system which provides set monthly plans for its subscribers. The pay in advance billing system allows subscribers to select from a variety of fixed-rate plans which vary in price and service offerings.

28. Approximately 60% of the Mobilicity Group's subscribers pre-pay their monthly bill by automatic billing to a credit card or automatic withdrawal through a bank account. The remaining 40% of subscribers pre-pay for cellular service, on a month-to-month basis, either by calling the Mobilicity Group's customer care centre or in-store.

29. As part of its business plan, the Mobilicity Group has sought and entered into agreements with strategic business suppliers and service providers, effectively outsourcing certain elements of its business, including network building and maintenance, real-time billing and rating, customer service and handset supply to the Mobilicity Group and its authorized dealers (the "**Dealers**"). These strategic partners are discussed in greater detail below in this affidavit.

C. Employees

30. As at August 1, 2013, the Mobilicity Group employed 132 people. Of that total, 26 employees work in its four corporately-owned stores. Most of the other 106 employees are full-time staff. The senior management team is comprised of four people. None of the Mobilicity Group's employees are unionized.

31. In response to the Mobilicity Group's financial difficulties, management has reduced the number of employees by approximately 205 people since December 2011.

D. Pensions and Benefits

32. The Mobilicity Group provides a standard benefit plan covering health, dental, AD&D and life insurance, short-term disability and long-term disability. The long-term disability premiums are paid by the employees themselves. The Mobilicity Group has no pension or RRSP plan.

E. Supply Chain and Service Providers

Distribution Channels

33. The Mobilicity Group sells cellular services and handsets by way of a combination of corporately-owned stores, independently operated stores and partnerships with retail vendors.

Corporate Stores and Dealers

34. In addition to the four corporately-owned stores, the Mobilicity Group sells cellular services and handsets through Dealers (including independently operated stores) and partnerships with retail vendors.

35. In particular, the Mobilicity Group Dealer network consists of approximately 314 points of distribution which include approximately 94 "platinum-level" stores that exclusively sell Mobilicity-branded services and only offer wireless-related products at their stores, and approximately 150 "gold" and "silver" level stores that either exclusively or non-exclusively sell Mobilicity branded services, but also sell non-wireless related products.

36. The platinum, gold and silver level stores are generally owner-operated small businesses. The platinum-level stores are entirely dependent upon sales of the Mobilicity Group products and services for revenue. Examples of the gold and silver level stores are electronics stores, computer-repair stores and convenience stores.

37. When subscribers sign up with the Mobilicity Group through a Dealer, the Dealer collects service payments on behalf of Wireless. Dealers typically earn a flat-fee commission for each subscriber who activates the Mobilicity Group's service through the Dealer subject to prescribed customer retention requirements, and do not earn margin on the sale of Mobilicity Group handsets, nor do they earn ongoing commissions for active subscribers. The commission is paid to the Dealer 45 days after the end of the month in which the subscriber is signed on. Platinum-level dealers generally earn a higher rate of commission than other types of Dealers.

Retail Stores

38. The Mobilicity Group has distribution partnerships with a variety of regional and national retail stores, including: Loblaws, Mobile Republic and Value Mobile. Depending on the relationship and type of Mobilicity Group products that they offer, retailers are either paid commissions similarly to how a Dealer is paid, or through margin on handset sales.

Service Providers

39. The Mobilicity Group's business model provides for outsourcing of certain business functions: network building and maintenance, real-time billing and rating, provisioning systems, handset logistics and distribution and call centre operations.

Network Building and Maintenance

40. Pursuant to a network construction agreement effective July 15, 2009 (as amended, the "**Ericsson Network Agreement**") and a master service agreement dated March 31, 2010 (as amended, the "**Ericsson Service Agreement**"), both between Wireless and Ericsson, Ericsson has built and now maintains a UMTS/HSPA enabled network that provides voice and data services to Mobilicity Group subscribers. These agreements contain commercially sensitive terms and, as such, copies have been provided to Ernst & Young Inc., as the proposed Monitor (in such capacity, the "**Proposed Monitor**"), but they are not attached as exhibits to my affidavit.

Billing

41. Pursuant to an agreement between Wireless and Amdocs Canadian Managed Services Inc. ("**Amdocs**") dated October 15, 2009 (as amended, the "**Amdocs Agreement**"), Amdocs provides a real-time billing and operational support system for Wireless which includes activation, provisioning, rating and billing to Wireless subscribers. Wireless pays a monthly fee to license the vendor-owned hardware and software and for on-site support personnel. The Amdocs Agreement expires December 31, 2018, or earlier should the parties so elect (after January 1, 2014 and subject to early termination fees).

42. The Amdocs Agreement contains commercially sensitive terms and, as such, copies have been provided to the Proposed Monitor but they are not attached as exhibits to my affidavit.

Handset Distribution

43. Pursuant to a letter agreement between Ingram Micro Inc. ("**Ingram**") and Wireless dated March 1, 2013 (the "**Ingram Agreement**"), Ingram is the sole provider of handset distribution logistical services to the Mobilicity Group and its Dealers. Among other things, Ingram purchases inventory from original equipment manufacturers and delivers that inventory to the Dealers within 24 to 48 hours of a request for delivery. As per the Ingram Agreement, Wireless purchases any inventory in Ingram's possession for longer than 120 days. Wireless also pays a 50% deposit upon receipt of inventory by Ingram, which deposit is refunded to Wireless upon sale of that inventory to the Dealers or corporate-owned stores.

44. The Ingram Agreement contains commercially sensitive terms and, as such, copies have been provided to the Proposed Monitor but they are not attached as exhibits to my affidavit.

Roaming Agreements

45. As a condition to receiving a spectrum licence, Industry Canada requires that, where feasible, spectrum licensees offer automatic digital roaming on their networks for subscribers whose cellular service provider does not have spectrum coverage in a particular area in Canada. By agreement dated October 2, 2009 between Rogers Wireless Partnership ("**Rogers**") and Wireless (the "**Roaming Agreement**"), Rogers provides roaming services to Mobilicity Group's customers. The Roaming Agreement has a term of five years, expiring October 1, 2014. Amounts due under the Roaming Agreement are based on subscriber

usage and totalled approximately $4.8 million in 2012. The Mobilicity Group has also entered into roaming agreements with other international telecommunications companies, which provide roaming services in the United States and certain countries in the Caribbean. The Mobilicity Group also has indirect sponsored roaming relationships that allow customers to receive roaming services in dozens of countries internationally. These agreements contain commercially sensitive terms and, as such, copies have been provided to the Proposed Monitor but they are not attached as exhibits to my affidavit.

Call Centre Operations

46. Pursuant to an agreement (as amended, the "**Sitel Agreement**") between Wireless and Sitel Teleservices Canada ("**Sitel**"), Sitel provides all call centre services to Mobilicity Group subscribers. The Sitel Agreement could have been terminated on April 30, 2013 but has been automatically extended for a one year period in accordance with its terms. Absent notice to the contrary, the Sitel Agreement will continue to automatically extend for further one year periods.

47. The Sitel Agreement contains commercially sensitive terms and, as such, copies have been provided to the Proposed Monitor but they are not attached as exhibits to my affidavit.

F. Cash Management System

48. The Mobilicity Group maintains a cash management and disbursement system in the ordinary course of operations (the "**Cash Management System**").

49. When subscribers sign up with the Mobilicity Group through a Dealer or pay their monthly subscription amounts at that Dealer's location, the Dealer collects service payments on behalf of Wireless. Every evening, TIO Networks (a third party payment aggregator)

collects these payments from the Dealer, on behalf of Wireless, then deposits the payments into Wireless' bank account.

50. Approximately 60% of the Mobilicity Group's subscribers pay their bills directly via pre-authorized debit or credit card payments to the Mobilicity Group. Five to seven days prior to each monthly renewal date, the Mobilicity Group attempts to make a charge to the subscriber's registered debit or credit card. Upon successful confirmation, service is renewed.

51. The majority of subscriber payments by credit card or debit card to the Mobilicity Group are processed through Chase Paymentech Solutions ("**Paymentech**") pursuant to a Select Merchant Application and Agreement dated as of April 16, 2010 (the "**Paymentech Agreement**"). Upon successful credit/debit card authorization, cellular service is provided and Paymentech deposits the entirety of the funds payable to the Mobilicity Group into a Mobilicity Group-owned account within two days (the "**Transaction Payments**") and the Mobilicity Group has free access to these funds. Pursuant to the Paymentech Agreement, a "Settlement Account" was established by Wireless and Wireless authorized Paymentech to initiate electronic credit and debit entries and adjustments to that Settlement Account for all obligations arising under the Paymentech Agreement. In certain cases, Paymentech may exercise holdback rights against Transaction Payments that are otherwise due to Wireless in order to secure payments that may be due to Paymentech but that cannot otherwise be satisfied from the Settlement Account. Such payments may arise, for example, as a result of "chargebacks" where the Mobilicity Group is obligated to refund Transaction Payments previously received. Recently, Paymentech has advised the Mobilicity Group of its intention to begin accumulating a $1.2 million security deposit through enforcement of contractual holdback rights. This began on September 1, 2013 and initially accumulated at 10%, and effective September 24, 2013, increased to 25%, of daily billings processed by Paymentech

until the total of $1.2 million is reached. Holdback of any additional amounts will have a material negative impact on the Mobilicity Group's cash flow.

52. Subscribers also have the option to pay for their service via online banking, online debit payments or via a web-based payment app called WAP. Wireless is set up as a payee for online banking with all major Canadian banks. The bank-to-bank payments are processed through the Bank of Nova Scotia and funds are credited to the Mobilicity Group's account daily. Payments made using online debit transactions and WAP are either processed by SALT, or by Elavon (a US Bank subsidiary) for SALT.

53. Cash collected from cash-paying customers at the Mobilicity Group corporate stores is deposited twice weekly via Brinks and deposited in a Wireless bank account.

54. The nature of the Mobilicity Group's prepaid business means that accounts receivable from subscribers is nil. HST is a periodic receivable. All receivables payments are received via cheque or through direct deposit into a Wireless bank account.

55. Accounts payable, including Dealer commissions, rent (including for cell phone towers), employee expenses, trade expenses and customer refunds are processed by electronic funds transfer, cheque or an external service provider.

56. The Mobilicity Group has outsourced payroll processing to Ceridian Canada Ltd. ("**Ceridian**"), which performs this process on a twice monthly basis for the majority of employees. A small number of hourly corporate store employees are paid on a bi-weekly basis. Ceridian withdraws the necessary funds from a Wireless bank account two to three days prior to payday.

G. Subscribers

57. As described above, Wireless operates a "pay in advance" billing system which means their subscribers are generally not subject to long term contracts with Wireless.

58. As of the date of this affidavit, Wireless has approximately 194,000 active subscribers who together generate gross revenues of approximately $6.3 million per month, with average monthly gross revenue per user (**"ARPU"**, an industry-wide operating metric) of approximately $32, compared to an average Incumbent ARPU of approximately $60.

59. Approximately 65% of Mobilicity's subscribers are located in Ontario, 20% in British Columbia, and the remaining 15% in Alberta.

H. Properties and Facilities

60. The Mobilicity Group leases retail facilities in which the four corporate retail stores operate, as well as a corporate office in Vaughan and a sales office in Vancouver. There are two co-location data centres, one in Toronto and another in Vancouver, which house the network switching equipment. In addition, the Mobilicity Group leases or licenses space for approximately 500 locations, which are primarily building rooftops, for placement of its cellular broadcasting equipment (the **"Cellular Site Leases"**). The Mobilicity Group has, in selective cases, become the head tenant or provided lease guarantees for certain Dealers. The aggregate lease and license amounts for these aforementioned properties total to about $11 million per year.

61. The lease of the Mobilicity Group's corporate office space in Vaughan expires in accordance with its terms on October 31, 2013. This is the space from which the vast majority of the Mobilicity Group's employees operate.

62. Whereas in the past the Mobilicity Group has paid the full annual cost of the Cellular Site Leases in advance, the Mobilicity Group's current liquidity position will not allow this to continue to occur. Accordingly, the Mobilicity Group proposes to pay these amounts monthly in advance.

I. Assets and Liabilities

Assets

63. In addition to the Mobilicity Group's customer base, as at July 31, 2013, the Mobilicity Group's assets were valued on a book basis at approximately $362 million, as follows:

Current Assets	
Cash and equivalents	$13,052,425
Accounts receivable	$2,085,114
Prepaid expenses	$4,394,804
Inventory	$193,800
Total Current Assets	$19,726,143
Non-Current Assets	
Property and equipment	$95,778,197
Intangible assets	$246,987,862
Total Non-Current Assets	$342,766,143
Total Assets	**$362,492,202**

Property and Equipment

64. Property and equipment includes the network assets, furnishings and related equipment, office computer hardware/software, as well as the fixed assets located at the four corporate stores. The network assets, which had a net book value of $89,873,517 as at July 31, 2013, comprise the bulk of asset value in this category.

Intangible Assets

65. Intangible assets consist of the spectrum licences acquired during the 2008 Spectrum Auction, which have an initial term of 10 years.

Tax Losses

66. In addition to the foregoing, as at fiscal year ended December 31, 2012, the Mobilicity Group had Canadian non-capital loss carry forwards amounting to approximately $439 million expiring between 2029 and 2032. There are significant tax losses at both the Wireless and Holdings level. Losses incurred after December 31, 2012, would create Canadian non-capital loss carry forwards in addition to this amount.

Liabilities

67. As at July 31, 2013, the Mobilicity Group, on a consolidated basis, had liabilities totalling approximately $465 million, of which approximately $79 million consist of current liabilities such as accounts payable, deferred revenue and the Bridge Notes (as defined below). The remaining $386 million is long-term debt. All liabilities of the Mobilicity Group reside in Holdings or Wireless. As stated above, 844 has no liabilities. Liabilities of Holdings and Wireless are as follows:

Accounts payable and accrued liabilities	$28,512,669
Deferred revenue	$6,839,580
Loan Payable	$43,250,000
Total Current Liabilities	$78,602,249
Long term debt	$386,038,612
Total Non-Current Liabilities	$386,038,612
Total Liabilities	**$464,640,861**

The First Lien Notes

68. On April 29, 2011, pursuant to an indenture (as amended, the "**First Lien Note Indenture**") among Data & Audio-Visual Enterprises Wireless Inc., Data & Audio-Visual Enterprises Leasing Inc. (each a predecessor by amalgamation of Wireless), Holdings and Equity Financial Trust Company, as trustee and collateral agent, Data & Audio-Visual Enterprises Wireless Inc. issued first lien notes totalling approximately $195 million, due April 29, 2018 (the "**First Lien Notes**"). The First Lien Notes bear interest at a rate of 9.5% annually, due and payable semi-annually in cash on March 31 and September 30 until maturity. A copy of the First Lien Notes Indenture (and all supplements thereto) is attached hereto as Exhibit "C". As of July 31, 2013, the amount outstanding on the First Lien Notes (including accrued interest) was approximately $201.2 million. The next interest payment under the First Lien Notes, in the amount of approximately $9.3 million, is due September 30, 2013.[4]

69. Holdings is a guarantor of the First Lien Notes and each of Wireless and Holdings has entered into general security agreements in connection with the First Lien Notes.

The Bridge Notes

70. Pursuant to the terms and conditions of a Note Purchase, Guarantee and Backstop Agreement, dated February 6, 2013, as amended from time to time, Data & Audio-Visual Enterprises Wireless Inc. (as predecessor by amalgamation of Wireless) agreed to issue up to $43.25 million in second lien notes (the "**Bridge Notes**") in three tranches, subject to the fulfilment of certain conditions precedent. At this time, a principal amount of $43.25 million in

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[4] Although the interest payment is due on September 30, the non-payment of interest becomes an Event of Default under the First Lien Notes Indenture only upon non-payment for 30 days after September 30, 2013.

Bridge Notes is outstanding. These Bridge Notes mature, at the latest, on September 30, 2013. The next payment of interest in the amount of approximately $0.5 million would otherwise be due on October 1, 2013.

71. On April 24, 2013, the holders of the Bridge Notes consented to an Order of the Ontario Superior Court of Justice (Commercial List) that stated, in part:

> On consent of the holders of the [Bridge Notes], all holders of the [Bridge Notes] are hereby stayed from enforcing the payment or security in respect of the [Bridge Notes].

72. Holdings is a Guarantor of the Bridge Notes and each of Wireless and Holdings has delivered a General Security Agreement to secure the obligations thereunder. The obligations under the Bridge Notes are fully and effectively subordinated and postponed to the full and final payment of all obligations under the First Lien Notes.

73. A copy of the Note Purchase, Guarantee and Backstop Agreement, dated February 6, 2013 (including selected schedules and all amendments thereto) is attached hereto as Exhibit "D".

The Unsecured Senior Notes

74. Pursuant to a trust indenture, as amended and restated as of April 29, 2011 (the "**Unsecured Senior Note Indenture**") between Holdings and Equity Financial Trust Company, as trustee, Holdings issued 15% Senior Unsecured Debentures (the "**Unsecured Senior Notes**") in the total principal amount of $95 million. The Unsecured Senior Notes mature on September 25, 2018. A copy of the Unsecured Senior Note Indenture (and all supplements thereto) is attached hereto as Exhibit "E".

75. The Unsecured Senior Notes bear interest at an annual rate of 15% (in certain limited circumstances, the interest rate will be 13.5%), which is payable semi-annually on June 30

and December 31. Interest payments are capitalized on each payment date as "payment in kind" interest, which are added to the principal amount outstanding on the Unsecured Senior Notes. As of July 31, 2013, the amount outstanding on the Unsecured Senior Notes (including payment in kind interest that has been added to the principal amount outstanding as well as accrued interest to July 31, 2013) was approximately $154.4 million.

76. The financing provided through the Unsecured Senior Notes was invested in Wireless for use in the Mobilicity Group's operating business.

The Unsecured Pari Passu Notes and the Unsecured Subordinated Notes

77. Pursuant to the Second Amended and Restated Commitment Agreement, Quadrangle advanced approximately $95 million to Holdings between May 22, 2009 and October 1, 2012 and received certain convertible notes (collectively, the "**Convertible Notes**"). An initial amount of $59,741,000 was advanced (evidenced by the "**Unsecured Pari Passu Notes**"). Subsequently, an additional $35,000,000 was advanced (evidenced by the "**Unsecured Subordinated Notes**"). All commitments under the Second Amended and Restated Commitment Agreement are now fully drawn. A copy of the Second Amended and Restated Commitment Agreement is attached hereto as Exhibit "F".

78. The Unsecured Subordinated Notes rank subordinate to the Unsecured Pari Passu Notes and the Unsecured Senior Notes while the Unsecured Pari Passu Notes rank *pari passu* with the Unsecured Senior Notes.

79. The Convertible Notes bear interest at an annual rate of 12%, which is payable annually on each anniversary of the date of issue of each tranche. Interest payments are capitalized each year as "payment in kind" interest, which is added to the principal amount outstanding on the Convertible Notes. As of July 31, 2013, the amount outstanding on the

Unsecured Pari Passu Notes and the Unsecured Subordinated Notes (including payment in kind interest that has been added to the principal amount outstanding as well as accrued interest to July 31, 2013), respectively, was approximately $88.4 million and approximately $38.6 million.

80. The financing provided through the Convertible Notes was invested in Wireless for use in the Mobilicity Group's operating business.

Intercreditor Arrangements

81. Holdings, Wireless, Quadrangle and Equity Financial Trust Company (in its capacity as trustee for each of the First Lien Notes and the Unsecured Senior Notes) entered into an intercreditor agreement (the "**Intercreditor Agreement**") dated April 29, 2011. A copy of the Intercreditor Agreement is attached hereto as Exhibit "G".

82. Equity Financial Trust Company (in its capacity as trustee for the Unsecured Senior Notes) and Quadrangle entered into an Amended and Restated Support Agreement dated April 29, 2011. A copy of that support agreement is attached hereto as Exhibit "H".

83. The trustee for the Unsecured Senior Notes executed an acknowledgment of subordination in favour of the collateral agent for the Bridge Notes dated February 6, 2013. A copy of that acknowledgment of subordination is attached hereto as Exhibit "I".

Indebtedness Summary

84. A summary of Holdings' and Wireless' outstanding indebtedness for borrowed money as at July 31, 2013 is set out below[5]:

First Lien Notes	$201,217,294
Bridge Notes	43,819,360
Unsecured Senior Notes	154,421,643
Unsecured Pari Passu Notes	88,404,354
Unsecured Subordinated Notes	38,601,644
Total	**$526,464,295**

85. The aggregate value of the Mobilicity Group's property is not, at a fair valuation, sufficient to enable payment of its obligations that are due or accruing due.

III. FINANCIAL DIFFICULTIES AND THE NEED FOR CCAA PROTECTION

A. Financial Difficulties

86. Wireless telecom start-ups are by their nature highly capital-intensive. Significant fixed costs, such as building networks and acquiring spectrum licences, must be incurred before revenue can be generated. During the period where a wireless carrier is building its customer base, revenue is typically insufficient to cover previously incurred investments and ongoing operating costs. It can take several years for a customer base to be adequately built.

87. For the seven months ended July 31, 2013, the cost of maintaining the Mobilicity Group's network, paying distributors and other service partners exceeded revenue by approximately $3.9 million per month prior to financing costs.

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[5] Dollar figures include accrued interest. These figures deviate from those reported in the Mobilicity Group's financial statements (which are reported in paragraphs 65 and 69 above) due to certain financial accounting adjustments applicable to the conversion features on certain of the long term debt.

B. Financial Results

88. The Mobilicity Group's financial issues are reflected in its operating results. For the seven months ended July 31, 2013, the Mobilicity Group recognized revenue of $46,864,490. During that period, the Mobilicity Group recorded a net loss of $71,958,543. As of July 31 2013, the Mobilicity Group had accumulated a net deficit of $431,807,958.

89. Copies of the Mobilicity Group's consolidated unaudited financial statements for the seven months ended July 31, 2013, as well as copies of all financial statements, audited or unaudited, prepared during the year before this application are attached as Exhibit "J" hereto.

C. Responses to Financial Difficulties

90. In response to the Mobilicity Group's financial difficulties, the Mobilicity Group's Board of Directors and management has sought various going-concern solutions for its business.

Initial Steps

91. In July 2012, the Mobilicity Group engaged National Bank and Canaccord Genuity (together, the "**Financial Advisors**") as their financial advisors in an effort to raise additional financing. Formal engagement letters were entered into with each of National Bank and Canaccord Genuity in January of 2013 (the "**FA Engagement Letters**" and, together with the CRO Engagement Letter, the "**Engagement Letters**"). These agreements contain commercially sensitive terms and, as such, copies are attached hereto as Confidential Exhibits "K" and "L".

92. I am informed by Michael Levin of Canaccord Genuity that with the assistance of the Financial Advisors, the Mobilicity Group solicited more than 30 potential investors in an

attempt to raise financing. In this regard, an investor roadshow was completed in August and September of 2012 without success.

93. I am informed by Mr. Levin that, in the meantime, the Mobilicity Group also canvassed the market for potential buyers for its business. I am informed by Mr. Levin that the Financial Advisors contacted more than 30 potential buyers, including wireless carrier incumbents, new wireless carrier entrants and international telecom providers and US private equity firms. As discussed earlier in this affidavit and below, the Mobilicity Group previously made significant progress on an acquisition transaction with TELUS Corporation and in discussions with a significant U.S.-based wireless service provider. However, for the reasons discussed above, the Mobilicity Group was not able to complete any of those transactions. As discussed above, the Mobilicity Group has since developed the Proposed Transaction, which is currently being considered by the Minister of Industry.

94. Other efforts made by the Mobilicity Group to improve its financial position have included cutting costs, limiting expenditures and renegotiation with several key suppliers. These reductions have achieved some short-term benefits; however, continued reductions at this scale are very difficult to sustain in a growth oriented business and do not provide sufficient cost savings to offset the Mobilicity Group's operating losses in any event.

Bridge Facility

95. By January 2013, the Mobilicity Group was in need of immediate funding in order to continue its operations and its exploration of solutions to its financial difficulties. The Mobilicity Group obtained $35 million in bridge financing pursuant to the Bridge Notes. This funding was provided by certain noteholders from the Ad Hoc Committee of Noteholders.

96. The Bridge Notes facility was entered into on February 6, 2013. This was a second lien facility that was made available in three tranches to allow the Mobilicity Group to continue operations[6] while it pursued strategic alternatives including potential acquisitions and a recapitalization plan.

97. As a condition of the Bridge Notes facility, the Mobilicity Group provided the purchasers of the Bridge Notes with an adequate protection letter (the "**Adequate Protection Letter**") in which the Mobilicity Group acknowledged that the Bridge Lenders could be materially prejudiced by any subsequent interim financing, DIP financing or charges granted by any court that violated covenants in the agreement granting the Bridge Notes and agreed to consult with the Bridge Lenders regarding any such subsequent financing.

CBCA Proceedings

98. On April 25, 2013, the Mobilicity Group commenced two separate arrangement proceedings under the CBCA as part of its restructuring efforts. Pursuant to these arrangement proceedings, the Mobilicity Group sought to either reach agreement with a willing buyer for its business who could finance the operations going forward or to restructure its capital and secure additional funding in order to advance its business. The Mobilicity Group therefore proposed two separate Plans of Arrangement. These Plans of Arrangement were mutually exclusive but were advanced concurrently in an effort to complete a restructuring in a time-efficient manner.

99. Briefly, the two Plans of Arrangement were an acquisition plan (the "**Acquisition Plan**") and a recapitalization plan (the "**Re-Cap Plan**"). The Acquisition Plan provided the framework for a potential purchaser to effectively and efficiently implement an acquisition of

[6] A portion of the proceeds of the Bridge Notes was used to pay approximately $9.3 million in interest on the First Lien Notes, which was due at the end of March 2013.

the Mobilicity Group on a going concern basis and provided for the repayment of the First Lien Notes and the Bridge Notes, with any remaining proceeds being distributed to holders of unsecured debt securities in accordance with their priorities. The Re-Cap Plan would have provided for the subscription by certain existing debt holders for $75 million in principal value of new second lien notes (the "**New Second Lien Notes**"). The proceeds of the New Second Lien Notes would be used to: (i) repay the Bridge Notes; and (ii) the remainder would be used for general corporate purposes.

100. Interim Orders (the "**Interim Orders**") were granted in respect of the Acquisition Plan and the Re-Cap Plan by the Honourable Mr. Justice Wilton-Siegel of the Ontario Superior Court of Justice (Commercial List) on April 26, 2013. Copies of those orders are attached hereto as Exhibits "M" and "N".

101. After the Interim Orders were granted, the Mobilicity Group reached an agreement with TELUS Corporation for the sale of the Mobilicity Group for $380 million (the "**TELUS Sale**") subject to certain adjustments, pursuant to a Plan of Arrangement based upon the form of framework Acquisition Plan, with certain modifications to implement the TELUS Sale (the "**TELUS Acquisition Plan**").

102. The Mobilicity Group held meetings of its creditors to consider and vote on the TELUS Acquisition Plan. A substantial majority of the Mobilicity Group's creditors voted to approve the TELUS Acquisition Plan and, on May 28, 2013, the Honourable Mr. Justice Campbell of the Ontario Superior Court of Justice (Commercial List) granted a final Order under the CBCA approving the TELUS Acquisition Plan as "fair and reasonable". The Mobilicity Group believed the TELUS Sale was in the best interests of all stakeholders and no stakeholder objected at the sale approval hearing.

103. Completion of the transaction with TELUS Corporation would have provided a comprehensive resolution of the Mobilicity Group's financial situation. The Mobilicity Group believed that the TELUS Sale would have resulted in an optimal outcome in the circumstances for the Mobilicity Group, its employees, customers, creditors and other stakeholders. In particular, the TELUS Sale would have assured the Mobilicity Group's ability to continue as a going concern and it would have avoided the insolvency of the Mobilicity Group.

104. However, the federal Minister of Industry announced on June 4, 2013 that Industry Canada would not approve TELUS Corporation's application to transfer certain spectrum licenses from the Mobilicity Group to TELUS Corporation as part of the TELUS Sale. As a result of Industry Canada's refusal, the TELUS Sale could not be completed. Industry Canada's communication of the above decision is included in a News Release dated June 4, 2013, which is attached hereto as Exhibit "O".

105. Since Industry Canada's rejection of the TELUS Sale, the Mobilicity Group has continued discussions with multiple parties in connection with alternative acquisition transactions. In particular, the Mobilicity Group solicited and received an expression of interest from a significant U.S.-based wireless service provider. The Mobilicity Group granted due diligence access to the potential acquirer and engaged in detailed discussions about a potential sale transaction. However, in early September 2013, the potential acquirer announced that it would not be continuing with negotiations.

106. In the two weeks preceding this application, the Mobilicity Group developed a transaction structure for the Proposed Transaction with a prospective purchaser, which is currently being considered by Industry Canada.

107. I met in Ottawa with representatives of the Government on September 18 and September 20, 2013 concerning the Proposed Transaction. I have not yet received a response as to whether the applicable Government representatives will approve a sale of the Mobilicity Group as proposed in the Proposed Transaction.

108. Last week, discussions on the sale transaction were unexpectedly interrupted upon Industry Canada's announcement of the participants in the 2014 Spectrum Auction in which it was disclosed that, among others, Feenix and Catalyst made deposits to participate in the 2014 Spectrum Auction. Industry Canada raised questions regarding possible restrictions on the continuation of discussions between the Mobilicity Group and the purchaser under the Proposed Transaction in view of the participation of Feenix and Catalyst in the 2014 Spectrum Auction. The Mobilicity Group diligently responded to these inquiries. The Mobilicity Group continues to work with the Government to advance and complete the Proposed Transaction as soon as possible.

109. Industry Canada has over this past weekend advised that its questions are resolved and that discussions on the Proposed Transaction are permitted to continue. They have confirmed that neither Feenix nor Catalyst are affiliated or associated with the Mobilicity Group in the context of the *Licensing Framework for Mobile Broadband Services (MBS) – 700 MHz Band.*

110. Nonetheless, the Mobilicity Group has reached a point where it must now, given its liquidity position, file for CCAA protection in an effort to preserve value for the Mobilicity Group's creditors, employees, customers and other stakeholders, and through which it will be able to obtain the additional time it needs to continue to pursue the Proposed Transaction and any other available alternatives.

D. The Mobilicity Group faces a liquidity crisis

111. Regarding its liquidity position, the Board of Directors of the Mobilicity Group is of the view that the Mobilicity Group as a whole will not, in the near future, have sufficient cash flow to meet its ongoing operating expenses and make the next interest payment of approximately $9.3 million on the First Lien Notes and approximately $0.5 million on the Bridge Notes. In light of these facts, the Mobilicity Group is insolvent and faces a liquidity crisis.

112. Without the protection of the CCAA, the Board of Directors of the Mobilicity Group is of the view that a shutdown of operations would be inevitable as the Mobilicity Group will cease to be able to pay its trade creditors in the ordinary course and will cease to be able to make interest payments on its outstanding debt securities.

113. The Board of Directors of the Mobilicity Group is of the view that the Mobilicity Group would be at risk of enforcement action by various creditor groups who would either not be paid in accordance with contractual obligations or whose debt obligations would be cross-defaulted as a result of non-payment of interest on other outstanding debt securities. This would place the Mobilicity Group in an unpredictable and unstable circumstance that would be detrimental to the Mobilicity Group and its stakeholders.

114. The Board of Directors of the Mobilicity Group is of the view that a CCAA Proceeding, and the stay of proceedings and interim financing thereunder, will both temporarily resolve the above concerns and provide evidence to the Mobilicity Group's customers, who are not subject to long term contracts, that the Mobilicity Group will not be prevented from continuing to provide services as a result of a lack of liquidity. While the Mobilicity Group initially sought to pursue its restructuring initiatives outside of a CCAA proceeding and believed that was the most beneficial course of action, this is no longer an option.

115. While under CCAA protection, the Applicants will continue to review available alternatives to reduce costs, while preserving their business and enterprise value to position themselves most favourably for a potential sale. Subject to the authority of Industry Canada, the Mobilicity Group's business, including its valuable Spectrum Licenses, can be transferred to an acceptable purchaser to realize their value, which recent offers for the Mobilicity Group indicate is well above the amount of the First Lien Notes. Alternatively, the Applicants may request the authorization of this Court to convey the Mobilicity Group business, including the Spectrum Licenses, to a purchaser under the provisions of the CCAA.

116. The CCAA proceeding will provide the Mobilicity Group with the additional time that it needs to continue to advance the Proposed Transaction and consider any other available alternatives, in the manner that best preserves value for stakeholders under the circumstances.

E. Catalyst Litigation

117. Shortly after the Bridge Notes financing was announced, Catalyst, which claims to be the beneficial owner of approximately 30% of the outstanding principal value of First Lien Notes, commenced an application (the "**Oppression Application**") in the Ontario Superior Court of Justice (Commercial List) against the Mobilicity Group seeking, among other things, remedies for alleged oppression in connection with the Bridge Notes. A copy of Catalyst's most recent Further Amended Notice of Application is attached hereto as Exhibit "P".

118. Preliminary motions have been heard in connection with the Oppression Application and cross-examinations have commenced.

119. The Oppression Application has been an ongoing, costly distraction to the Mobilicity Group throughout its efforts to restructure its business. The Applicants' proposed Initial Order would stay the Oppression Application.

120. On Thursday September 19, 2013, the Applicants' counsel, Norton Rose Fulbright Canada LLP, was served by Catalyst at approximately 8:30 pm with an unissued application for a "creditor-sponsored" CCAA proceeding returnable the next day (the "**Catalyst CCAA Application**"). Supplemental materials were served on September 25, 2013.

121. The Catalyst CCAA Application is only the latest attack by Catalyst in a long-running dispute with the Mobilicity Group, and an attempt by Catalyst to seek to increase its debt position and control over the Mobilicity Group on terms acceptable to Catalyst.

122. By way of summary, in late 2012, Catalyst provided the Moblicity Group with two term sheets for alternate financings: a DIP financing and a backstopped rights offering. Exercising its business judgment, the Board of Directors of the Mobilicity Group, with the advice of the Financial Advisors and legal counsel, elected not to pursue either of these financings but instead to issue the Bridge Notes to the Bridge Lenders in February 2013.

123. Shortly after the issuance of the Bridge Notes, Catalyst commenced the Oppression Application against the Mobilicity Group.

124. In connection with the Acquisition Plan and the Re-Cap Plan, described above, Justice Wilton Siegel stated:

> [i]n essence, there is an ongoing dispute between Catalyst, on the one hand, and the holders of the Second Lien Notes, supported by other holders of First Lien Notes and Unsecured Senior Notes, on the other.... This is a dispute regarding competing visions for addressing the current financial needs and prospects of the Mobilicity Group.

125. Attached at Exhibit "Q" is a copy of Justice Wilton-Seigel's reasons.

126. When the TELUS Sale was announced in May 2013, Catalyst was the only creditor known to the Mobilicity Group to vote against it. Ultimately, Catalyst chose not to oppose the application for approval of that plan of arrangement giving effect to the TELUS Sale.

127. Following the June 4, 2013 announcement by Industry Canada, described above, which denied an application to transfer Wireless' spectrum licenses to TELUS Corporation, Catalyst provided two new unsolicited financing term sheets to the Mobilicity Group. Exercising its business judgment, the Board of Directors of the Mobilicity Group, with the advice of the Financial Advisors and legal counsel, determined that the financing proposals were not suitable for the Mobilicity Group. Catalyst then continued to pursue the Oppression Application, and conducted my cross examination on August 16, 2013.

128. On August 28, 2013, the Mobilicity Group received a letter from counsel for Catalyst, stating, among other things:

> While a CCAA filing is an obvious option, in Catalyst's opinion, this step would erode the potential value of the collateral held as security for the First Lien Notes, result in significant professional and related expenses, and have an adverse impact on the terms of any potential sale of the business.

Attached at Exhibit "R" is a copy of a letter from counsel for Catalyst to counsel for the Mobilicity Group.

129. On September 6, 2013, Catalyst made a further DIP financing proposal to the Moblicity Group.

130. I am advised by Barry Goldberg of Canaccord Genuity that on September 17, 2013, he received a "courtesy" phone call from Mr. Gabriel De Alba, the Managing Director and Partner of Catalyst, inquiring about the status of Catalyst's DIP financing proposal. Mr. De

Alba advised Mr. Goldberg of Catalyst's intention to bring a petition for a bankruptcy order against the Mobilicity Group if it failed to accept Catalyst's latest DIP financing offer. Attached at Exhibit "S" is a copy of a letter from Marc Kestenberg, counsel for the Mobilicity Group, to David Moore, counsel for Catalyst, dated September 19, 2013, confirming the substance of that discussion.

131. Although Mr. Moore responded on September 19, 2013, by asserting that the facts contained in Mr. Kestenberg's letter were inaccurate, that evening at approximately 8:30 pm, Catalyst served the Catalyst CCAA Application. Attached at Exhibit "T" is a copy of Mr. Moore's email serving the Catalyst CCAA Application.

132. I have reviewed the Catalyst CCAA Application including the Affidavit of James A. Riley, sworn September 19, 2013 (the "**Riley Affidavit**"). I have also reviewed the Supplemental Affidavit of James A. Riley, dated September 25, 2013 (the "**Supplemental Riley Affidavit**"). This affidavit contained certain cash flow forecasts developed by Catalyst as well as certain financial statements of the Mobilicity Group.

133. The Catalyst CCAA Application is an attempt by Catalyst to seek to take control of the Mobilicity Group, and to effectively usurp the ability of the Mobilicity Group to pursue a restructuring that fairly balances the interests of all stakeholders. The Catalyst CCAA application would replace the Applicants' current chief restructuring officer with Catalyst's own chief restructuring officer (the "**Catalyst CRO**"), replace the proposed monitor, with whom the Applicants have been working, with a firm who is not familiar with the Applicants, suspend the boards of directors of the Applicants, and give the Catalyst CRO many of the powers over the Mobilicity Group, its assets and business that a receiver would typically have. The residual decision-making power would be vested in a "Creditor Committee" with a collection of members that has not yet been specified but would likely include Catalyst and

noteholders from the Ad Hoc Committee of Noteholders who are currently on opposite sides of ongoing litigation in the Oppression Application and who have divergent views of the best course of action for the Mobilicity Group in the current circumstances.

134. In addition, while labelled by counsel as a "creditor sponsored" application, the Catalyst CCAA Application does not disclose any plan of arrangement that Catalyst seeks to sponsor, nor does the Catalyst CCAA Application even disclose a strategic direction for a restructuring plan, nor does the Catalyst CCAA Application have the support of the Mobilicity Group's main creditors, as represented by the Ad Hoc Committee of Noteholders who oppose the Catalyst CCAA Application.

135. The Catalyst CCAA Application also provides for a $100 million priming debtor-in-possession facility (the "**Catalyst DIP Term Sheet**") which the Applicants' boards of directors, with the assistance of its financial and legal advisors, have reviewed, considered and determined in their business judgment is not in the best interests of the Mobilicity Group or its stakeholders. A copy of the Catalyst DIP Term Sheet contained in the Catalyst CCAA Application is attached as Exhibit "U" to this my affidavit.

136. The Catalyst DIP Term Sheet would see Catalyst receive (i) a $3 million commitment fee, (ii) interest at a minimum rate of 13%, (iii) a drawdown fee of 3%, and (iv) back-stop fees of approximately $22 million. I am advised by Michael Levin of Canaccord Genuity that this financing proposal would be the most expensive debtor-in-possession facility that has been proposed to the Mobilicity Group by a significant margin.

137. The "back-stop fee" payable to Catalyst is particularly excessive in the circumstances. Perhaps not coincidentally, this $22 million fee is approximately equal to Catalyst's share of a purported $71 million make-whole payment that Catalyst has previously argued is due to the holders of First Lien Notes if those notes are repaid at this time, whether within or outside of

a restructuring proceeding (the "**Make-Whole**"). Catalyst has in the past pressed the Mobilicity Group to acknowledge that this Make-Whole would be payable on the First Lien Notes in all circumstances. However, based upon legal advice received by the Mobilicity Group, the Mobilicity Group has never agreed with Catalyst's assertion. It appears that, through the Catalyst DIP Term Sheet, Catalyst is again seeking to indirectly secure its approximately 30% share of the Make-Whole that it claims is otherwise payable, though disguised as a "back-stop fee".

138. Aside from economic terms, the Catalyst DIP Term Sheet also contains a variety of other issues of concern. In particular:

(a) The term sheet is described as a "summary of certain indicative terms" and states that the definitive documentation will "contain such terms, conditions and provisions as are customary for financings of this type or deemed appropriate by Catalyst." The Mobilicity Group has no certainty regarding the definitive terms of the Catalyst debtor-in-possession financing proposal and the Mobilicity Group does not know exactly when such a proposal could be implemented.

(b) The quantum of the debtor-in-possession financing proposal, at $100 million, is more than the Mobilicity Group requires at this time and is not rationally linked to financing needs during the period while the Mobilicity Group seeks to implement a restructuring or sale option.

(c) The Catalyst financing provides for Holdings and 844 to give court-ordered super-priority secured guarantees. In the case of Holdings, this secured guarantee would prime existing indebtedness with a $100 million super-priority charge, effectively pushing the existing creditors down the capital structure at a time when the Mobilicity Group is suffering significant losses. This would violate the terms of Holdings' existing debt documents, which have negative covenants which preclude the incurrence of additional secured debt. Further, as noted above, Holdings and 844 are not parties to the Catalyst CCAA Application.

(d) The covenants and approval rights described in the Catalyst DIP Term Sheet provide Catalyst with extensive control over the actions of the Mobilicity Group, which Catalyst does not currently have as a holder of First Lien Notes.

(e) The Catalyst financing terms would give Catalyst the ability to block a potential sale transaction or a plan that may have the support of the requisite majority of current noteholders. The general concern that arises from this negative covenant is heightened by the fact that Catalyst intends to participate in the 2014 Spectrum Auction and may have interests different from the Mobilicity Group's other creditors.

(f) The Outside Date in the Catalyst financing is October 4, 2013. Given that the Mobilicity Group has not received any drafts from Catalyst to attempt to formalize the Catalyst financing, the Catalyst financing remains speculative and uncertain at this time. It does not appear that definitive documents for the Catalyst financing are likely to be in executable form until October 4, 2013. Meanwhile, Catalyst is requesting Court approval of its financing at this time. This risks providing Catalyst with undue bargaining power in respect of the negotiation of the definitive terms of the Catalyst financing.

139. The Catalyst CCAA Application would stay all proceedings against the Mobilicity Group except for the Oppression Application being pursued by Catalyst. The Mobilicity Group's CCAA Application would stay the Oppression Application.

140. On Friday September 20, 2013, counsel to the Applicants and counsel to Catalyst appeared in front of Justice Newbould and an endorsement was issued in which Catalyst agreed not to issue its application until at least Tuesday September 24, 2013 in order to allow discussions to take place. Without prejudice discussions have taken place, including between Mr. Riley and myself, but those discussions have not resulted in a resolution of the Catalyst CCAA Application.

141. I have reviewed the Riley Affidavit and the Supplemental Riley Affidavit. Rather than respond to each issue raised in those affidavits, I have attempted to set out the evidence of the Moblicity Group in my narrative above. That said, there are a few issues raised by Mr. Riley which require a direct response.

142. In particular, at paragraph 71 of the Riley Affidavit, Mr. Riley states that the Bridge Lenders would be able to dictate the terms of the restructuring. The Mobilicity Group continues to make decisions independent of the Bridge Lenders. The Ad Hoc Committee of Noteholders, of which the Bridge Lenders are a subset, understandably have a significant interest in any restructuring path that the Applicants may seek to implement. The Ad Hoc Committee of Noteholders holds more than 67% of the First Lien Notes and the vast majority of the Unsecured Senior Notes. Notwithstanding any rights or interests of the Bridge Lenders, the Mobilicity Group continues to make decisions independent of the Bridge Lenders.

143. At paragraph 99(c) of the Riley Affidavit, Mr. Riley alleges that the Bridge Notes contain undisclosed fees. I believe that Catalyst is aware of all of the fees payable under the Bridge Notes. In any event, all of the fees are secured by a second priority lien, subordinate to Catalyst's First Lien Notes security.

144. At paragraph 99(b) of the Riley Affidavit, he alleges that there is no value at the Holdings level. Such statements are not supported. In particular, as part of the proposed \$380 million TELUS Sale, there would have been recoveries to the debt holders of Holdings after payment of the secured notes issued by Wireless. Furthermore, TELUS Corporation specifically sought to structure the transaction as an acquisition of the shares of Holdings in order to make use of key tax attributes held by Holdings.

145. At paragraph 115 of the Riley Affidavit, Mr. Riley alleges that the decision of the Mobilicity Group not to participate in the 2014 Spectrum Auction may have adversely affected the collateral held by the First Lien Note holders. First, the collateral of the First Lien Noteholders remains fully intact, as demonstrated by the recent offers received by the Mobilicity Group which have offered consideration well in excess of the amounts owed to the First Lien Note holders. Second, if the Mobilicity Group had participated in the 2014 Spectrum Auction (assuming it had the funding to do so), the prohibitions against collusive activities among bidders in the 2014 Spectrum Auction that governed the Auction would have made it impossible for the Mobilicity Group to fully consider the potential field of acquirers of Mobilicity after September 17, 2013.

IV. OVERVIEW OF THE CASH FLOW FORECAST

146. As set out in the 13 week cash flow projections (the "**Cash Flow Statement**") that was prepared by the Applicants with the assistance of the Proposed Monitor for the period from September 21, 2013 to December 20, 2013, the Applicants' principal uses of cash during the next 13 weeks will consist of the payment of ongoing day-to-day operational expenses, and professional fees and disbursements in connection with these CCAA proceedings. A copy of the Cash Flow Statement is attached hereto as Exhibit "V".

147. As at the time of swearing this affidavit, the Applicants had approximately $7.6 million in available cash on hand. The Applicants' Cash Flow Statement projects that, subject to obtaining the relief outlined herein, they will have sufficient cash to fund their projected operating costs until the end of the stay period.

V. PROPOSED INITIAL ORDER

A. Payment of pre-filing amounts

148. The Mobilicity Group believes that certain pre-filing amounts must be paid following the date of the Initial Order as non-payment of these amounts may have a significant detrimental impact on the Mobilicity Group's business.

149. As mentioned above, the Mobilicity Group's Dealer network relies heavily (and in some cases exclusively) upon commissions from the sale of Mobilicity Group products and services. Payment of commissions to those Dealers is delayed by at least 45 days in the ordinary course. These Dealers often operate with very low liquidity and any disruption to the stream of revenue derived from commissions would cause many of these Dealers to cease operations due to a lack of funding. As these Dealers are essential points of contact for both the retention of existing customers and potentially signing up new customers, the Mobilicity Group depends upon them as a key channel for revenue generation that it cannot afford to lose. As a result, the Mobilicity Group will be requesting that it be permitted to pay commissions earned by the Dealers during the pre-filing period in the ordinary course, as approved by the Chief Restructuring Officer, after the date of the Initial Order. The Mobilicity Group estimates that the pre-filing amounts to be paid for this purpose are approximately $1.45 million.

150. The Mobilicity Group's employees depend heavily upon their employment compensation and any disruption in receipt of such compensation would dramatically impact the lives of the Mobilicity Group's employees. The Mobilicity Group will also require a motivated group of employees to work through the CCAA proceedings. Certain employment compensation that has accrued since the last regularly scheduled employee payment date will remain unpaid as at the date of the Initial Order. Accordingly, the Mobilicity Group will be

requesting that any such employment compensation be paid, subject to approval of the Chief Restructuring Officer, following the date of the Initial Order. The Mobilicity Group estimates that the amounts to be paid for this purpose are approximately $400,000 as at the date of swearing this affidavit.

151. As the Mobilicity Group's customers pre-pay for their services, the Mobilicity Group will in substance discharge a pre-filing obligation to those customers by continuing to provide services in the post-filing period on account of prepayments made in the pre-filing period.

B. Administration Charge

152. The Mobilicity Group seeks a charge on its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**") in the maximum amount of $10 million to secure the fees and disbursements incurred in connection with services rendered to the Mobilicity Group both before and after the commencement of the CCAA proceedings by counsel to the Mobilicity Group, the Proposed Monitor, the Proposed Monitor's counsel, counsel to the DIP Lenders and counsel to the Ad Hoc Committee of Noteholders, BlueTree, the Financial Advisors, and independent counsel that may be retained by the boards of directors of the Applicants (the "**Administration Charge**"). The Administration Charge will rank behind only the liens securing obligations under the First Lien Notes and the First Lien Notes Indenture and *pari passu* with the KERP Charge (defined below).

153. The Mobilicity Group has worked with the proposed Monitor to determine the proposed quantum of the Administration Charge and believes it to be reasonable and appropriate in view of the Mobilicity Group's CCAA proceedings and the services provided and to be provided by the beneficiaries of the Administration Charge.

C. Directors' Charge

154. To ensure the ongoing stability of the Mobilicity Group's business during the CCAA period, the Mobilicity Group requires the continued participation of its directors and officers who manage the business and commercial activities of the Mobilicity Group. The directors and officers of the Mobilicity Group have considerable and valuable experience.

155. The directors and officers of the Mobilicity Group have indicated that due to the potential for personal liability, they cannot continue their service in this restructuring unless the Initial Order grants the Directors' Charge (as defined below) to secure the Mobilicity Group's indemnity obligations to the directors and officers that arise post-filing.

156. I am advised by Evan Cobb of Norton Rose Fulbright Canada LLP, counsel to the Mobilicity Group, and do verily believe, that in certain circumstances directors can be held liable for certain obligations of a company owing to employees and government entities. As at August 1, 2013, the Mobilicity Group had 132 employees. Wages, vacation pay, and statutory employee deductions are accruing in the ordinary course with no arrears due and unpaid as at the date hereof.

157. The Mobilicity Group maintains directors' and officers' liability insurance (the "**D&O Insurance**") for the directors and officers of the Mobilicity Group entities. The current D&O Insurance policies provide a total of $10 million in coverage plus $10 million in excess coverage. In addition, under the D&O Insurance a retention amount is applicable for certain claims in the amount of $25,000.

158. The proposed Initial Order contemplates the establishment of a charge on the Property in the amount of $550,000 (the "**Directors' Charge**") to protect the directors and officers against obligations and liabilities they may incur as directors and officers of the

Mobilicity Group after the commencement of the CCAA Proceedings, except to the extent that the obligation or liability is incurred as a result of the director's or officer's gross negligence or wilful misconduct. The Directors' Charge was calculated by reference to (a) the monthly payroll and withholding obligations of the Mobilicity Group; (b) vacation pay; and (c) the quantum of sales tax that the Mobilicity Group must remit in the typical month.

159. The benefit of the Directors' Charge will only be available to the extent that a liability is not covered by the D&O Insurance.

160. While the D&O Insurance is available, the directors and officers of the Mobilicity Group cannot be certain that the insurance providers will not seek to deny coverage on the basis that the D&O Insurance does not cover a particular claim or that coverage limits have been exhausted.

161. The Mobilicity Group does not currently have sufficient funds available to satisfy any contractual indemnities to the directors or officers should the directors or officers need to call upon those indemnities.

162. The Mobilicity Group worked with the Proposed Monitor in determining the proposed quantum of the Directors' Charge and believes the Directors' Charge is reasonable in the circumstances. The Directors' Charge is proposed to rank behind the liens securing the First Lien Notes, the Administration Charge and the KERP Charge.

163. In the ordinary course, certain members of the Board of Directors of the Mobilicity Group receive fees for attending and participating in board meetings. The Mobilicity Group intends to continue to pay those fees following the granting of the Initial Order in these proceedings. The Mobilicity Group also intends to pay for one independent legal counsel to the boards of directors of each of the Applicants, in accordance with those directors' rights.

D. Key Employee Retention Plan and Charge

164. The Mobilicity Group depends upon the continued employment of certain highly skilled and experienced employees who: (i) perform roles that are critical to accomplishing the Mobilicity Group's restructuring goals[7]; and (ii) likely cannot be suitably replaced at a reasonable cost (the "**Key Employees**").

165. The Key Employees will be essential to the Mobilicity Group's efforts to pursue the Proposed Transaction and other alternatives. However, those Key Employees are also incentivized to seek alternative employment given the financial circumstances of the Mobilicity Group. Therefore, the Mobilicity Group has developed a retention plan for these Key Employees (the "**Key Employee Retention Plan**"), the details of which are described in a summary attached hereto as Confidential Exhibit "W".

166. In designing the terms of the Key Employee Retention Plan, the Mobilicity Group considered a variety of factors including: (i) the maximum cost of the Key Employee Retention Plan; (ii) identification of appropriate employees who should be benefit from the Key Employee Retention Plan; (iii) individual compensation levels; and (iv) market competitiveness of resulting total compensation levels for participating employees.

167. The terms of the Key Employee Retention Plan have been approved by the Independent Committee of the Board of Directors of Holdings.

168. The Mobilicity Group contemplates that the amounts owing under the Key Employee Retention Plan would have the benefit of a court ordered charge in a quantum and having the ranking described below (the "**KERP Charge**").

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[7] In evaluating this factor, the Mobilicity Group looked particularly carefully at positions in its finance and human resources departments that would be relied upon in the restructuring, positions that were central to operations, and critical leadership roles required to maintain the stability of the business.

169. The aggregate value of the KERP Charge is $600,000. The Proposed Monitor has reviewed the KERP Charge and believes that this amount is reasonable in the circumstances. No other stakeholder would be materially prejudiced by the KERP Charge. Each of the Key Employees and each of the Key Executives will only have the benefit of the KERP Charge up to their respective individual entitlements as provided under the Key Employee Retention Plan.

170. The KERP Charge is proposed to rank *pari passu* with the Administration Charge and behind only the liens securing the obligations under the First Lien Notes and the First Lien Notes Indenture.

171. The financial terms of each participant's benefits under the Key Employee Retention Plan are reflected in agreements attached hereto as confidential exhibits "X" through "DD". In order to prevent private and confidential information about individual employees from being publicly disclosed, the Mobilicity Group will request an order sealing these confidential exhibits.

E. DIP Financing and DIP Lenders' Charge

172. The Mobilicity Group seeks interim debtor in possession financing ("**DIP Financing**").

173. The Mobilicity Group requires access to DIP Financing to (a) maintain operating cash; (b) fund the costs of these proceedings; (c) pursue the Proposed Transaction and any other available alternatives; and (d) provide suppliers and customers with confidence that the Mobilicity Group will be able to maintain its operations during these proceedings.

174. The Mobilicity Group received DIP Financing proposals from not less than four parties, including existing creditors as well as third parties with no prior financial involvement

with the Mobilicity Group. One such proposal was provided by the holders of the Bridge Notes and another was provided by Catalyst[8]. The Mobilicity Group engaged its Financial Advisors and legal counsel to assist in the evaluation of the DIP Financing options that were presented.

175. Upon review, the Mobilicity Group determined, with advice from its advisors, that the proposals provided by the non-creditor third parties likely could not be implemented. Therefore, the Financial Advisors proceeded to have discussions with the holders of the Bridge Notes and Catalyst to obtain what the Mobilicity Group believed to be the best available offer from each party either in the form of a final definitive term sheet or definitive agreements. These discussions occurred over the course of several weeks.

176. The Financial Advisors and counsel to the Mobilicity Group evaluated these DIP Financing options, including the Catalyst DIP Term Sheet, based upon, among other things, quantum, conditions, price, ranking and execution risk and provided their expert views to the Board of Directors of the Mobilicity Group. After extensive consideration of the DIP Financing options, and after considering the advice of its legal and financial advisors, the members of the Board of Directors of the Mobilicity Group concluded, in an exercise of their business judgment, that the DIP Financing option presented by the holders of the Bridge Notes was the best available option. As a result, the Mobilicity Group has negotiated a DIP Note Purchase and Guarantee Agreement (the "**DIP Loan Agreement**") with the holders of the Bridge Notes (the "**DIP Lenders**"). A redacted copy of the DIP Loan Agreement is attached hereto as Exhibit "EE".

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[8] This proposal by Catalyst was provided prior to the Catalyst CCAA Application and contains substantially different terms than those described in the Catalyst CCAA Application.

177. The Proposed Monitor's pre-filing report contains additional detail in respect of the DIP Loan Agreement. Below is a brief summary of the terms of the DIP Loan Agreement[9]:

(a) Facility amount: $30 million.

(b) Availability: Available in five tranches:

  (i) First Tranche: $3.2 million.

  (ii) Second, Third and Fourth Tranches: each in a principal amount of $7.5 million.

  (iii) Fifth Tranche: $4.3 million.

(c) Conditions: Certain conditions to each draw are set forth in the DIP Loan Agreement. Among other conditions, the first tranche will be available if the Mobilicity Group's available cash is $2,000,000 or less, and subsequent tranches will be available if (i) the Initial Order has become a Final Order; (ii) the Mobilicity Group has presented a proposed Restructuring Alternative to the DIP Lenders by October 24, 2013; and (iii) the DIP Lenders are satisfied with the status of any Restructuring Alternative or Approved Transaction by November 12, 2013. The DIP Loan Agreement also provides flexibility to allow borrowings in smaller "sub-tranches" based upon the funding requirements of the Mobilicity Group.

(d) Purpose: Working capital and other general corporate purposes including, without limitation, payment of fees and expenses incurred in connection with these CCAA proceedings. Funds will be used only in accordance with cash flow forecasts.

(e) Interest Rate: 15.5% per annum. Cash interest would be paid monthly on the DIP Financing.

[9] Capitalized terms used in this section of my affidavit have the meaning ascribed to them in the DIP Loan Agreement. If there are inconsistencies between any summary of the DIP Loan Agreement contained herein and the terms and conditions of the DIP Loan Agreement itself, the terms and conditions of the DIP Loan Agreement shall govern.

(f) DIP Funding Fee: This shall be calculated as 10% of the amount drawn on the closing date of each tranche of funding, which fee is payable in additional notes.

178. The DIP Financing is conditional upon the provision of an order of the Court, among other things, approving the DIP Financing arrangement and approving a security interest, lien and charge on all of the Mobilicity Group's property (the "**DIP Lenders' Charge**"). A significant determining factor is that the DIP Lenders' Charge is intended to rank behind the liens securing the obligations under the First Lien Notes and the First Lien Notes Indenture and behind the Administration Charge, the KERP Charge and the Directors' Charge, but pari passu with the liens securing the Bridge Notes.

179. The DIP Loan Agreement contains covenants and events of default that are reflective of the circumstances of the Mobilicity Group. Enforcement steps may only be taken by the DIP Lenders with leave of the Court.

180. After receiving considerable legal and financial advice, the Mobilicity Group believes that the DIP Financing is in its best interests and in the best interest of all stakeholders. The Mobilicity Group has considered, among other things, the following factors:

(a) The DIP Financing has been designed as a multiple draw facility in accordance with pre-determined cash requirements of the Mobilicity Group's business and the progress of its restructuring, such that financing will not be made available in an amount above the Mobilicity Group's cash requirements at any particular time in these proceedings.

(b) The duration and quantum of the DIP Financing is designed to allow the Mobilicity Group an expanded opportunity to transfer its business, including its valuable Spectrum Licenses, subject to certain reasonable milestones and conditions.

(c) The Mobilicity Group has the support of major creditor groups. I am advised by Robert Chadwick of Goodmans LLP, counsel to the Ad Hoc Committee of

Noteholders, that these proceedings and the DIP Financing are supported by the Ad Hoc Committee of Noteholders.

(d) The Mobilicity Group, with the assistance of the Chief Restructuring Officer, has established a business plan to ensure that costs can be reduced to the greatest extent possible during these proceedings.

(e) Indications of value of the Mobilicity Group's assets to date, in particular through the TELUS Sale of $380 million and comparable indications of interest received in connection with the Proposed Transaction and from other third parties, suggest that the Mobilicity Group's assets are of sufficient value to prevent any First Lien Note holder from experiencing a shortfall on its secured debt. As a subordinate facility, the DIP Financing does not impact this analysis.

(f) The Proposed Monitor supports the DIP Financing.

F. Proposed Ranking of the Court-Ordered Charges

181. The proposed ranking of the Court-ordered charges (the "**Charges**") is as follows:

(a) First, liens securing obligations under the First Lien Notes and the First Lien Notes Indenture;

(b) Second, Administration Charge and KERP Charge;

(c) Third, the Directors' Charge; and

(d) Fourth, the DIP Lenders' Charge/liens securing the obligations under the Bridge Notes.

182. I am advised by Mr. Cobb that the trustee under the First Lien Notes Indenture, the holders of the Bridge Notes, and the collateral agent under the Bridge Notes, will be served

with the Mobilicity Group's notice of application in these proceedings. I am further advised by Mr. Cobb that Catalyst will also be served with the Mobilicity Group's notice of application.

183. The Mobilicity Group is unaware of any secured creditors other than those who have received notice of this application, who are likely to be affected by the Charges. The Mobilicity Group has conducted: (i) Bankruptcy and Insolvency searches with the Office of the Superintendent of Bankruptcy Canada current to August 27, 2013, (ii) Bankruptcy searches with the Ontario Superior Court of Justice in Toronto and Ottawa current to August 28, 2013 and August 15, 2013, respectively; Bankruptcy searches with the Clerk of the Court in Edmonton current to August 29, 2013; and Bankruptcy searches with the Supreme and Provincial Civil Court Registries in British Columbia current to August 29, 2013, (iii) Personal Property Security Registration System searches in Ontario, Alberta and British Columbia current to August 28, 2013 and August 29, 2013, respectively and (iv) Bank Act security searches current to August 29, 2013, in each case in Ontario, British Columbia and Alberta, being all jurisdictions in which the Mobilicity Group has assets. The Mobilicity Group has also conducted Writ of Execution searches with the Sheriff in the City of Ottawa, the City of Toronto, the Regional Municipality of Peel, Vancouver, New Westminster and Surrey, current to August 29, 2013.[10] Copies of those searches are attached hereto as Exhibit "FF".

G. Approval of the CRO and Financial Advisor Engagements

184. In order to assist in the implementation of this CCAA process, the Applicants seek the approval and confirmation of the Court of the retention of the Financial Advisors and the Chief Restructuring Officer, and approval of the terms of the Engagement Letters.

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[10] I am advised by Mr. Cobb that no execution searches were conducted in Alberta as those search results would be included in the personal property security registry search results for Alberta.

185. Under the FA Engagement Letters, the Applicants agreed to apply to the Court for approval of the FA Engagement Letters, retention of the Financial Advisors (nunc pro tunc to the date of the FA Engagement Letters) and the payment of the fees and expenses of Financial Advisors. It is unlikely that the Financial Advisors would have accepted their respective mandates without this undertaking.

186. The Mobilicity Group believes that the same approvals should be sought in connection with the CRO Engagement Letter and the appointment of BlueTree (nunc pro tunc to the date of the CRO Engagement Letter). A copy of the CRO Engagement Letter is attached hereto as Confidential Exhibit "GG".

187. The approval of the engagement of the Financial Advisors and the Chief Restructuring Officer is appropriate in the circumstances as the Financial Advisors and the Chief Restructuring Officer have worked extensively with the Applicants to date in their pre-CCAA restructuring efforts and have extensive knowledge of the options reviewed and available to the Applicants. The Financial Advisors' and the Chief Restructuring Officer's background knowledge is particularly helpful in the ongoing review of strategic alternatives for the Applicants particularly given the highly specialized industry in which the Applicants operate.

188. Certain transactions have already been completed which would entitle the Financial Advisors to certain fees under the terms of the FA Engagement Letters. The Financial Advisors have deferred those fees to date in view of the Applicants' financial circumstances. However, the Applicants always understood that these fees owing to the Financial Advisors would be paid out of the proceeds of a successful transaction, whether pre-filing or post-filing.

189. The Applicants will be seeking an Order sealing the Confidential Exhibits to this Affidavit which contain the Engagement Letters. The Engagement Letters are commercially sensitive as they contain the commercial terms of the engagement of each of the Financial Advisors and the Chief Restructuring Officer. The disclosure of those commercial terms would have a detrimental impact on the Financial Advisors' or the Chief Restructuring Officer's ability to negotiate compensation on any future engagements. Further, the sealing of these Confidential Exhibits would not seem to materially prejudice any third parties. I note that counsel to the Ad Hoc Committee of Noteholders, and Quadrangle, being the holder of all of the Unsecured Pari Passu Notes and the Unsecured Subordinated Notes, have each reviewed the Engagement Letters.

VI. MONITOR

190. Ernst & Young Inc. has consented to act as the Court-appointed Monitor of the Mobilicity Group, subject to Court approval.

191. Ernst & Young Inc. is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.

VII. PURPOSE OF AFFIDAVIT

192. This affidavit is sworn in support of the Mobilicity Group's application and for protection pursuant to the CCAA and for no improper purpose.

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SWORN BEFORE ME at the City of Toronto, Province of Ontario, on September 29, 2013.	
Commissioner for Taking Affidavits	WILLIAM E. AZIZ

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

Court File No: ____________________

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

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

AFFIDAVIT OF WILLIAM E. AZIZ
(Sworn September 29, 2013)

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Lawyers for the Applicants

Data & Audio-Visual Enterprises Holdings Inc., Data & Audio-Visual Enterprises Wireless Inc. and 8440522 Canada Inc.

Consolidated Weekly Cash Flow Statement

For the period from September 21, 2013 to December 20, 2013

CDN ('000)

		Week Ending													
		1	2	3	4	5	6	7	8	9	10	11	12	13	
		Sep-27	Oct-04	Oct-11	Oct-18	Oct-25	Nov-01	Nov-08	Nov-15	Nov-22	Nov-29	Dec-06	Dec-13	Dec-20	Total
Beginning Balance	2	**9,288**	**7,677**	**6,541**	**6,581**	**5,526**	**6,098**	**4,763**	**2,000**	**2,000**	**2,201**	**2,000**	**2,000**	**2,000**	**9,288**
Cash Receipts															
Customer Revenue	3	1,261	1,066	927	1,001	1,147	1,132	858	858	858	858	676	646	646	**11,935**
DIP Draw	4	-	-	-	-	-	-	409	1,345	-	350	1,533	2,731	10	**6,378**
Other Account Receivables		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Refund (Payment)	5	(81)	-	-	-	-	-	-	-	-	-	-	-	-	**(81)**
Total Cash Receipts		**1,180**	**1,066**	**927**	**1,001**	**1,147**	**1,132**	**1,268**	**2,203**	**858**	**1,208**	**2,209**	**3,377**	**656**	**18,232**
Cash Disbursements															
Payroll and Benefits	6	(607)	-	-	(516)	(85)	(668)	-	(495)	-	(627)	-	(495)	-	**(3,492)**
Sales & Marketing	7	(54)	(10)	(11)	(11)	(11)	(42)	(43)	(43)	(43)	(53)	(51)	(51)	(51)	**(474)**
Commissions	8	-	-	-	(812)	-	-	-	(589)	-	-	-	(535)	-	**(1,935)**
Service Delivery & IT	9	(453)	(164)	(35)	(35)	(35)	(292)	(204)	(199)	(199)	(199)	(241)	(163)	(163)	**(2,380)**
Payments for Outsourced Operations	10	154	(101)	(46)	(46)	(153)	(46)	(3,415)	(110)	(46)	(46)	(473)	(1,322)	(46)	**(5,695)**
Rent & Site Operations	11	(904)	(927)	(100)	-	-	(1,003)	-	(36)	-	(43)	(1,013)	(36)	-	**(4,061)**
General Operating Expenditures	12	(169)	(26)	(26)	(32)	(26)	(106)	(104)	(128)	(104)	(130)	(160)	(154)	(130)	**(1,297)**
BOD Expenses	13	-	(59)	-	-	-	-	-	-	-	-	-	-	-	**(59)**
CCAA Monitor and Monitor's Counsel Fees	14	-	(170)	(141)	(141)	(141)	(141)	(141)	(141)	(141)	(141)	(141)	(141)	(141)	**(1,723)**
CCAA Legal Fees	15	-	(698)	(529)	(463)	(124)	(124)	(124)	(463)	(124)	(124)	(124)	(463)	(124)	**(3,487)**
Other Legal Expenses	16	(760)	(45)	-	-	-	(45)	-	-	-	(45)	-	-	-	**(895)**
Interest Payments	17	-	-	-	-	-	-	-	-	-	-	(5)	(16)	-	**(21)**
Total Cash Disbursements		**(2,792)**	**(2,201)**	**(887)**	**(2,056)**	**(575)**	**(2,467)**	**(4,031)**	**(2,203)**	**(657)**	**(1,409)**	**(2,209)**	**(3,377)**	**(656)**	**(25,520)**
Net Cash Flow Balance		**(1,611)**	**(1,135)**	**40**	**(1,055)**	**572**	**(1,335)**	**(2,763)**	**-**	**201**	**(201)**	**-**	**-**	**-**	**(7,288)**
Ending Cash Balance		**7,677**	**6,541**	**6,581**	**5,526**	**6,098**	**4,763**	**2,000**	**2,000**	**2,201**	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**

NOTES TO THE CONSOLIDATED WEEKLY CASH FLOW STATEMENT

1. The consolidated weekly cash flow statement (the "**Cash Flow Statement**") has been prepared solely for the purpose of projecting the combined cash receipts and disbursements of Data & Audio-Visual Enterprises Holdings Inc. ("**Holdings**"), Data & Audio-Visual Enterprises Wireless Inc. ("**Wireless**"), and 8440522 Canada Inc. (collectively, the "**Applicants**" or "**Mobilicity**"). The Cash Flow Statement includes the business activities of the Applicants as set out herein and assumes that interim financing pursuant to a Debtor in Possession Loan Facility ("**DIP**") in respect of which the Applicants will seek court approval, will be available to fund the projected shortfall in net cash flow.

   The Cash Flow Statement represents management's reasonable estimates at present. The actual timing and amount of the receipts and disbursements may fluctuate from the estimates shown herein and these fluctuations may be material. Disbursements are inclusive of any applicable federal and provincial sales taxes.

   Readers are cautioned that the Cash Flow Statement may not be appropriate for their purposes.

   The Cash Flow Statement is presented on a weekly basis from September 21, 2013 to December 20, 2013 (the "**Period**") and represents management's reasonable estimates of the results of operations and CCAA costs of administration during the Period.

   The Cash Flow Statement is presented in thousands of Canadian dollars and assumes that any foreign currency transactions are made based on foreign exchange rates in effect as of September 20, 2013.

   The Cash Flow Statement assumes that the Applicants file for CCAA protection on September 30, 2013 and that as a result, they are afforded a stay of proceedings that is effective against their pre-filing creditors, including amounts owed to their secured creditors. In accordance with the proposed Initial Order, the Cash Flow Statement assumes that the only pre-filing creditors to be paid are the Applicants' dealers, which are owed commissions dating back to August 2013.

   The Cash Flow Statement assumes that the Applicants will secure sufficient DIP financing to sustain their operations while under CCAA protection and that the DIP financing is approved pursuant to an order of the Court.

2. The Opening Cash Balance includes Mobilicity's cash on hand, net of outstanding cheques, as at September 20, 2013.

3. Customer Revenues represent projected weekly cash inflows resulting from prepayments for service by Mobilicity's existing and projected customers. Mobilicity has projected that its subscriber base will decrease following the commencement of the CCAA proceedings. The Cash Flow Statement also assumes that a portion of the customer receipts will be required to fund a deposit requested by Mobilicity's credit card processing company, reducing the net projected customer receipts during the Period.

4. The DIP Draw represents the projected draws on Mobilicity's DIP credit facility pursuant to the Agreement between the DIP Lenders and Mobilicity, assuming that the Agreement has been approved by the Court and that the conditions precedent in the Agreement have been satisfied. Interest on the DIP accrues at a rate of 15.5 percent per annum on the outstanding amounts, payable in cash monthly in arrears. Pursuant to the Agreement, the DIP is projected to be drawn in weekly tranches in order to provide the Applicants with a minimum ending cash balance of $2 million. The first such weekly amount is assumed to be drawn in the week ending November 8, 2013.

5. Tax Refunds (Payments) represent the projected sales taxes collected from Mobilicity's customer revenues net of its sales taxes paid for products and services received. Other than the provincial sales tax payments projected to be made in the week ending September 27, 2013, it is assumed that all tax refunds and payments net to zero.

6. Payroll and Benefits represent projected gross payroll, including payments to executives and the monthly fees payable to the Chief Restructuring Officer along with the costs associated with standard employee benefit plan covering health, dental, accidental death and death, life insurance, short-term disability and long-term disability. The majority of the salaried and hourly employees are paid semi-monthly through direct deposit.

7. Sales & Marketing represent projected general costs associated with sales and marketing at Mobilicity's four corporate stores and general marketing activities for services rendered after the date of the Initial Order.

8. Commissions represent projected fees paid to the Applicants' dealers. Commissions are usually paid 45 days after the end of each month for newly acquired subscribers subject to the new subscribers remaining active for 35 days. The Cash Flow Statement assumes that pursuant to the proposed Initial Order, payments to Mobilicity's dealers are unaffected by the stay of proceedings.

9. Service Delivery & Information Technology relates primarily to roaming, long distance and data services provided to Mobilicity's customers, as well as the projected fees for Mobilicity's suppliers of credit card processing services.

10. Payments for Outsourced Operations represent projected payments to third party service providers for critical business process functions including network building and maintenance, call centre operations, handset logistics and distribution, and billing systems. The Cash Flow Statement assumes that the payments to these providers are made in accordance with the contractual terms currently contained in the various agreements.

11. Rent & Site Operations represent projected lease payments for Mobilicity's leased facilities, including its corporate head office in Vaughan, a sales office in Vancouver, two co-location data centers and four corporate retail stores. In addition, the Applicants lease approximately 500 locations for their cellular broadcasting equipment. Pursuant to the Initial Order, the Cash Flow Statement assumes all lease payments are made monthly in advance.

12. General Operating Expenditures include projected administration expenses, human resources expenses, travel and entertainment, and certain capital expenditures related to general business operations.

13. BOD Expenses represent projected fees payable to members of the Applicants' board of directors.

14. CCAA Monitor & Counsel Fees include the estimated fees and disbursements of the proposed CCAA Monitor and its legal counsel.

15. CCAA Legal Fees represent the estimated fees and disbursements for Mobilicity's legal counsel, legal counsel for Mobilicity's board of directors, counsel to the Ad Hoc Committee of Senior Unsecured Debenture Holders, and counsel to the proposed DIP Lenders.

16. Other Legal Expenses include projected legal expenses paid in relation to Equity Financial and general legal expenses for Mobilicity's day-to-day operations.

17. Consistent with the proposed Initial Order, the Applicants are not projected to make any post filing interest payments in respect of the $195 million First Lien Notes or the $43.25 million Second Lien Notes. Pursuant to the Agreement, interest is projected to be paid monthly in arrears on the outstanding amount of the DIP Draw at a rate of 15.5 percent per annum.

No. 09-1
CASH-FLOW STATEMENT

In this Standard, words importing the singular number or the masculine gender only include more persons, parties or things of the same kind than one, and females as well as males and the converse.

1.00 SCOPE AND PURPOSE

1.01 The purpose of this Standard is to provide guidance to a Monitor fulfilling its statutory responsibilities under the **Companies' Creditors Arrangement Act (CCAA), R.S.C. 1985, c. C-36, as amended**, in respect of a Monitor's Report on a Cash-Flow Statement. This Standard only addresses the Monitor's obligations with respect to the cash-flow forecast filed in support of the initial application. If appropriate, the Monitor **should** file similar reports in respect of subsequent or revised cash-flow forecasts, notwithstanding that there is no statutory obligation to file such reports.

1.02 The Monitor's duties and obligations in respect of a particular **CCAA** proceeding **shall** be governed by the **Act**, the applicable orders issued by the court, and this Standard where applicable. To the extent that this Standard conflicts with any order issued by the court, the Monitor **shall** be governed by the order.

2.00 DEFINITIONS

2.01 In this Standard:

"**May**" means the Standard is simply intended to be helpful and the Monitor has full discretion to follow it or not.

"**Should**" means it is appropriate to do so in most circumstances. Where a Monitor judges it appropriate to do otherwise, the Monitor should consider the advisability of documenting the reasons for its decision.

"**Shall**" means the Standard is mandatory and the Monitor must follow it.

2.02 In this standard:

"Act" means the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended;

"Association" means Canadian Association of Insolvency and Restructuring Professionals / Association canadienne des professionnels de l'insolvabilité et de la réorganisation;

"**Assumptions**" means the Hypothetical Assumptions and Probable Assumptions developed by the Company;

"Cash-Flow Statement" in respect of a Company, means a statement indicating, on a weekly basis (or such other basis as is appropriate in the circumstances), the projected cash-flow of the Company as defined in section 2(1) of the **Act** based on Probable and Hypothetical Assumptions that reflect the Company's planned course of action for the period covered;

"Company" means a debtor company, as defined in Section 2 of the **Act**, that intends to commence or has commenced, as the case may be, a proceeding under the **Act** or in respect of whom a proceeding under the **Act** has been commenced;

"Hypothetical Assumptions" means assumptions with respect to a set of economic conditions or courses of action that are not necessarily the most probable in the Company's judgment, but are consistent with the purpose of the Cash-Flow Statement;

"Material" means that it is probable that a change in an item or an aggregate of items would influence or change a decision;

"Material Adverse Change" means a change that, in the Monitor's opinion, materially and negatively impairs, or is reasonably expected to materially and negatively impair, the Company's cash-flow, financial circumstances or likelihood of success of a plan of arrangement. Examples would include, but not be limited to a change that:

- has a significant adverse effect on the expected cash-flows compared to the Cash-Flow Statement; or
- impairs the ability of the Company to carry on operations; or
- significantly prejudices the rights or interests of one or more classes of creditors.

"Monitor" in respect of a Company, means the person appointed by the court pursuant to Section 11.7 of the **Act** to monitor the business and financial affairs of the Company;

"Monitor's Report" means a report on the Cash-Flow Statement issued by the Monitor in accordance with Section 23(1)(b) of the **Act**;

"Probable Assumptions" means assumptions that: (i) the Company believes reflect the most probable set of economic conditions and planned courses of action, suitably supported that are consistent with the plans of the Company; and (ii) provide a reasonable basis for the Cash-Flow Statement;

"Review for Reasonableness" means the review conducted by the Monitor pursuant to Section 23(1)(b) of the **Act**; and

"Suitably Supported" means that the Assumptions are based on either one or more of the following factors: the past performance of the Company, the performance of other industry / market participants engaged in similar activities as the Company, feasibility studies, marketing studies or any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions. The extent of detailed information supporting each Assumption, and an assessment as to the reasonableness of each Assumption, will vary according to circumstances and will be influenced by factors such as the significance of the Assumption and the availability and quality of the supporting information.

3.00 ASSISTING THE COMPANY

3.01 The Monitor **may** assist the Company in the preparation of the Cash-Flow Statement.

3.02 The Monitor **shall** remind the Company that the Cash-Flow Statement and the Assumptions on which it is based, are the responsibility of the Company.

3.03 The Monitor **shall** remind the Company that the Monitor has the statutory duty to file a report with respect to the Cash-Flow Statement.

3.04 The Monitor **should** advise the Company that any information given by the Company to the Monitor may be disclosed to the court and the creditors.

3.05 The Monitor **should** document the foregoing in a letter to the debtor, a sample of which is attached as Appendix A to this standard.

4.00 DOCUMENTATION

4.01 The review performed by the Monitor in accordance with this Standard **shall** be documented.

4.02 The Monitor **should** obtain written confirmation (a sample letter is attached as Appendix B to this standard) from an authorized officer or director of the Company that:

a) the Cash-Flow Statement and the Assumptions on which it is based, are the responsibility of the Company; and

b) the Company's responsibility extends beyond ensuring that individual Assumptions used in the preparation of the Cash-Flow Statement are appropriate in the circumstances, and includes the responsibility to ensure that such Assumptions as a whole are appropriate in the circumstances.

5.00 MONITOR'S REVIEW

5.01 The Monitor **shall** perform a Review for Reasonableness.

5.02 The review **shall** be performed by an individual or individuals having, when considered as a whole, adequate technical training and proficiency, with due care and with an objective state of mind.

5.03 The review **shall** be adequately planned and properly executed and if assistants are employed, they **shall** be properly supervised.

5.04 The Monitor **should**, as soon as practicable, acquire knowledge of the Company and an understanding of the practices and particulars of the industry within which the Company operates, sufficient to enable it to perform the Review for Reasonableness.

5.05 The Review for Reasonableness **shall** consist of enquiry, analytical procedures and discussions with the Company to determine whether there is anything that causes the Monitor to believe that, in all material respects:

a) the Hypothetical Assumptions are not consistent with the purpose of the Cash-Flow Statement;

b) as at the date of the Monitor's Report, the Probable Assumptions developed by the Company are not Suitably Supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash-Flow Statement, given the Hypothetical Assumptions; or

c) the Cash-Flow Statement does not reflect the Probable and Hypothetical Assumptions.

5.06 The Monitor **should** satisfy itself that the computations contained in or made in preparing the Cash-Flow Statement are consistent with the Assumptions and materially accurate.

5.07 Where practicable, the Monitor **should** reconcile the Cash-Flow Statement to the appropriate actual cash and loan balances in the financial records of the Company, as at the start date of the Cash-Flow Statement, and a description of such reconciliation process may be included in the Monitor's Report.

5.08 The Monitor **shall** periodically compare actual cash-flow results to those reflected in the Cash-Flow Statement and obtain reasonable explanations for significant variances. The Monitor **should** report the results of such comparisons and reviews to the court. Where the results of such comparisons and reviews indicate a Material Adverse Change in the Company's projected cash-flow or financial circumstances, the Monitor **shall** report the results of such comparisons and reviews to the court without delay.

6.00 MONITOR'S REPORT

6.01 After completing its Review for Reasonableness, the Monitor **shall** consider whether anything material has come to its attention that causes it to believe that:

a) The Hypothetical Assumptions are not consistent with the purpose of the Cash-Flow Statement; or

b) As at the date of the report, the Probable Assumptions developed by the Company are not Suitably Supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash-Flow Statement, given the Hypothetical Assumptions; or

c) The Cash-Flow Statement does not reflect the Probable and Hypothetical Assumptions.

6.02 The Monitor **should** file the Monitor's Report with the court within 10 days of the granting of the Initial Order or at such other time as may be ordered by the court.

6.03 The Monitor's Report **shall** include an overview and review of the Cash-Flow Statement and a summary of its determinations as required by Section 5.05 of this Standard.

6.04 The Monitor **should** ensure that all material Assumptions are disclosed in the notes and **shall** include in the Monitor's Report a statement to this effect.

6.05 The Monitor **shall** prepare, sign and file the Monitor's Report with the court.

6.06 The Monitor **should** date the Monitor's Report as of the date of the completion of his Review for Reasonableness.

6.07 The form of the Monitor's Report **shall** be substantially as follows:

The <attached> statement of projected cash-flow <attached as appendix ___ of this report/the debtors application material> (the "Cash-Flow Statement") of ________________ (name of Company),(the "Company") as of the ______ day of ____________ ____, consisting of ____________________ (describe, including relevant dates), has been prepared by the management of the Company for the purpose described in Note ______, using the Probable and Hypothetical Assumptions set out in Notes ______.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by certain of the management and employees of the Company. Since Hypothetical Assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash-Flow Statement. We have also reviewed the support provided by management of the Company for the Probable Assumptions, and the preparation and presentation of the Cash-Flow Statement.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

a) the Hypothetical Assumptions are not consistent with the purpose of the Cash-Flow Statement;

b) as at the date of this report, the Probable Assumptions developed by management are not Suitably Supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash-Flow Statement, given the Hypothetical Assumptions; or

c) the Cash-Flow Statement does not reflect the Probable and Hypothetical Assumptions.

Since the Cash-Flow Statement is based on Assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash-Flow Statement will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report.

The Cash-Flow Statement has been prepared solely for the purpose described in Note ____/on the face of the Cash-Flow Statement, and readers are cautioned that it may not be appropriate for other purposes.

Optional paragraph if the Monitor's report is to be included as part of another report:

Note: Date and signature of Monitor should be excluded if this report is included within another report prepared by the Monitor.

<Dated at __________________, this ______ day of __________ ______.

____

Monitor>.

6.08 The Monitor's Report **should** be augmented with such additional comments as deemed appropriate by the Monitor in the circumstances.

6.09 Where the Monitor concludes it is unable to issue the Monitor's Report in the form set out above, in accordance with the timeline detailed in paragraph 6.02, the Monitor:

a) **Shall** advise the Company of the Assumptions and/or other matters that prevent the Monitor from issuing the Monitor's Report and **should** consider advising the Company of same in writing; and

b) **Shall** file a report with the court in accordance with the timeline detailed in paragraph 6.02 setting out the reasons therefore.