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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

Applicants

THIRTEENTH REPORT OF THE MONITOR

JUNE 23, 2015

INTRODUCTION

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

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

PURPOSE

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

   (a) The process conducted by the Applicants which resulted in a binding letter agreement between Holdings and Wireless (collectively, the "**Vendors**") and Rogers Communications Inc. (the "**Purchaser**") dated June 23, 2015 (the "**Sale Agreement**"), a copy of which is attached as Confidential Exhibit "**F**" to the 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 June 23, 2015 (the "**Aziz Affidavit**"); and

   (b) The Monitor's recommendation in respect of the Applicants' motion for an Approval Order approving the Sale Agreement.

DISCLAIMER

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

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

CONTEXT

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

6. For convenience, capitalized terms not defined in this Report are as defined in the Aziz Affidavit.

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

SUMMARY OF SALE EFFORTS

8. Prior to the commencement of the CCAA Proceedings, the Applicants' conducted extensive sale and refinancing initiatives. Those sale efforts culminated in an agreement with TELUS Corporation to purchase Mobilicity for $380 million, subject to certain adjustments (the "**CBCA Transaction**"). As outlined in the Aziz Affidavit, Mobilicity believed that the CBCA Transaction was in the best interests of Mobilicity and a substantial majority of its creditors voted to approve the transaction. The CBCA Transaction was approved by the Court on May 28, 2013. The CBCA Transaction was subject to Industry Canada approval, which was denied on June 4, 2013. As a result, the transaction could not be completed.

9. The Applicants continued their efforts to find a buyer both before and after the commencement of these CCAA proceedings. During the CCAA proceedings, the Applicants conducted a Court-approved sale process (the "**Sale Process**") in accordance with the Approval of Sale Procedures Order dated November 13, 2013, attached as Appendix "**A**". The Sale Process is described in the Sixth Report of the Monitor dated April 22, 2014 (the "**Sixth Report**"), a copy of which is attached (without exhibits) as Appendix "**B**".

10. The Applicants, with the assistance of their financial advisors Canaccord Genuity and National Bank (the "**Financial Advisors**") and the Monitor, contacted parties that were

considered to be legitimate prospective purchasers and invited them to express their interest in making an offer to purchase. The parties that were approached were national and regional Canadian telecommunications providers, credible financial advisors known to represent Canadian telecommunications providers, major telecommunications providers in the United States and Europe, all debt and equity holders of the Applicants and all financial investors who had previously expressed an interest in purchasing or providing debt or equity financing to the Applicants.

11. By the Sale Process bid deadline, five parties had submitted bids to purchase certain of the assets of the Applicants and of those five bids, three offered to purchase all or substantially all of the assets of Mobilicity (the "**En Bloc Bids**"). Of the En Bloc Bids, only the bid from TELUS Corporation (the "**TELUS Offer**") was, in the view of the Monitor, in substantial compliance with all of the bid criteria and was selected as the successful bid. The Monitor and the Applicants considered the TELUS Offer to be the only acceptable going concern sale alternative at that time. Although two other En Bloc Bids were received, each was subject to additional conditions precedent. Those conditions precedent were both material in scope and outside the control of either the Applicants or the Monitor. These material conditions posed significant risk to the timing, certainty of completion and net consideration of any potential transaction under the other En Bloc Bids.

12. At the conclusion of the Sale Process, Mobilicity executed a binding term sheet with TELUS, subject to conditions that included Plan creditor approval, Court sanction and regulatory approvals. The transaction proposed by the TELUS Offer contemplated the cancellation of all of the existing outstanding equity and equity rights of Holdings for no consideration and the issuance to TELUS of 100% of the new equity in the share capital of Holdings and the indirect acquisition of its wholly owned subsidiary, Wireless, on a cash-free and funded debt free basis. Consideration for the TELUS Offer was $350 million, subject to certain adjustments.

13. As the TELUS Offer was considered to be in the best interests of Mobilicity and its stakeholders, Mobilicity sought Industry Canada approval for the transaction and brought a motion before the Court to implement the transaction proposed by the TELUS Offer. On

the return of that motion, the Court made an order requiring the parties to attend at a confidential mediation to mediate any outstanding issues in respect of the TELUS Offer with the Honourable Justice Warren Winkler (the "**Mediator**").

14. At the request of the Mediator, formal mediation sessions were conducted during the months of May through August 2014. Those sessions, which included both face-to-face and telephonic meetings, were attended by representatives and counsel from Mobilicity, Industry Canada, the Ad Hoc Committee of Noteholders, the DIP Lenders, the Monitor and for certain of the sessions, at the discretion of the Mediator, other creditors of the Applicants.

15. During the course of the mediation, the Applicants confirmed to the Monitor that the contractual agreement in respect of the TELUS Offer had been terminated. On September 14, 2014, the Mediator gave notice to Industry Canada and (through the Monitor) the other participants noted above that, subject to further direction from the Court, the mediation was terminated.

16. Since this time, the Applicants, together with their advisors, have been engaged in discussions with several parties who have expressed interest in advancing a transaction involving the Applicants. The Applicants and in some cases, the Monitor, have entered into non-disclosure agreements with such parties. The Applicants have granted access to their data room for certain of these parties at their request.

17. Following the conclusion of the AWS-3 Auction and 2500 MHz Auctions earlier this year, the Applicants began to revaluate their strategic options. The Applicants were approached by two parties, including the Purchaser, to engage in discussions in respect of the acquisition of the assets and undertaking of Mobilicity. The process conducted by the Applicants, with the assistance of the Financial Advisors and the involvement of the Monitor, was not anticipated and included tight time constraints asserted by one of the bidders, and thus was not conducted pursuant to the terms of a formal Court-approved sale process.

18. Notwithstanding the foregoing, in the opinion of the Monitor, the process carried out by the Applicants has been conducted in accordance with the principals enunciated in section 36 of the CCAA and in *Royal Bank of Canada v. Soundair Corp.*, 4 OR (3d) 1; 83 DLR (4th) 76; 7 CBR (3d) 1, namely:

a) Sufficient effort has been made to get the best price and the parties have not acted improvidently. As detailed below, the price achieved in the proposed transaction significantly exceeds any previous offer received in respect of the Mobilicity assets;

b) The interests of the parties have been considered. Representatives of the significant secured and unsecured creditors of the Applicants participated in the process and are consenting to the proposed transaction;

c) The process was conducted with efficacy and integrity. The bidders were provided with multiple opportunities to present offers and receive counter offers during the process. The Monitor participated in the discussions and negotiations between the Applicants and the potential bidders and observed that a fair, even-handed and comprehensive process was conducted; and

d) There was no unfairness in the working out of the process. Given the time constraints imposed on the Applicants to conclude a transaction as noted below, the Applicants acted in good faith and conducted a fair and reasonable process in the circumstances. The Board of Directors of Mobilicity was engaged and involved in the process, had fulsome discussions with advice from its legal and financial advisors and made an informed business decision to select the offer submitted by the Purchaser.

SUMMARY OF SALE AGREEMENT

19. The Sale Agreement contains commercially sensitive information and is the subject of a request for a Sealing Order by the Applicants. The key business terms of the Sale Agreement that may be disclosed are as follows:

a) The Purchaser will purchase the shares of Wireless from Holdings for aggregate consideration of $465 million on a cash free debt free basis, subject to certain adjustments;

b) A portion of the purchase price will be loaned by the Purchaser to Wireless to repay, in full, Wireless' funded secured obligations (with the exception of the secured obligations held by Catalyst Capital Group Inc. or funds managed by it (collectively, "**Catalyst**") which will continue to be an obligation of Wireless at the conclusion of the transaction);

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

d) All trade liabilities, employee obligations and contracts of Wireless will continue unaffected to be dealt with in the ordinary course of business in order to enable the Purchaser to continue the business of Mobilicity as a going concern from and after the closing date; and

e) The parties agreed to cooperate and use their best efforts to have the hearing of the Court for approval of the transaction on or before June 24, 2015.

20. In connection with the Sale Agreement, the Vendors entered into a letter agreement with Catalyst (the "**Catalyst Agreement**") which also contains commercially sensitive terms and is the subject of a request for a Sealing Order by the Applicants.

STATE OF THE APPLICANTS' BUSINESS AND AFFAIRS

21. Pursuant to section 23(1)(d.1) of the CCAA, in the following paragraphs the Monitor has provided a summary of the business and financial affairs of Mobilicity.

<u>Business</u>

22. 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.

23. As part of its business plan, Mobilicity has effectively outsourced certain elements of its business, including network building and maintenance, real-time billing and rating, customer service and handset supply to strategic business suppliers and service providers, including Ericsson Canada Inc., Amdocs Canadian Managed Services Inc., Ingram Micro Inc., and Sitel Teleservices Canada.

24. In addition, Mobilicity sells cellular services and handsets primarily by way of stores independently operated by authorized dealers.

25. As at the date of this Report, the Applicants have 31 employees. In response to Mobilicity's financial difficulties, management has reduced the number of employees by approximately 300 people since December 2011. As at the date of the Initial Order, Mobilicity had 132 employees.

<u>Assets</u>

26. According to the unaudited consolidated financial statements of Mobilicity, as at May 31, 2015 the Mobilicity Group's assets were valued on a book basis at approximately $317.9 million.

27. Property and equipment includes the network assets, furnishings and related equipment, office computer hardware/software, as well as the fixed assets located at Mobilicity's two corporate stores. The network assets comprise the bulk of the asset value in this category.

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

29. In addition to the foregoing, as at June 30, 2015, the Mobilicity Group had estimated, Canadian non-capital loss carry forwards amounting to approximately $665.3 million expiring between 2029 and 2032. There are significant tax losses at both the Wireless and Holdings level.

Liabilities

30. The major categories of liability owing by Mobilicity are the following:

(a) Accounts payable and accrued liabilities of $82.4 million. Approximately $60.8 million of this amount represents accrued interest on the DIP Notes, the First Lien Notes and the Second Lien Notes (both as described below). The remaining balance of approximately $21.5 million (the "**Operating Liabilities**"), all of which is owed by Wireless, consists of amounts owed to suppliers of goods and services to Wireless (principally the four major suppliers described above which collectively total $15.1 million), employee amounts (wages, benefits and vacation pay) accrued in the ordinary course, and amounts owed to taxation authorities that are not yet due in the ordinary course;

(b) Advances made under the DIP Notes which remain outstanding in the amount of approximately $1.9 million (the "**DIP Amount**"). In accordance with the Order dated January 28, 2015, the DIP Amount ranks ahead of the First Lien Notes (as described below);

(c) First lien notes due April 29, 2018 (the "**First Lien Notes**"), were issued by a predecessor by amalgamation of Wireless, and have a principal balance owing of approximately $195 million. 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 First Lien Notes bear interest at a default interest rate of 10.5% annually. Interest has not been paid on the First Lien Notes during this proceeding. As of May 31, 2015 the amount outstanding on the First Lien Notes (including accrued interest) was approximately $242 million;

(d) Second lien notes due September 30, 2013 (the "**Second Lien Notes**"), issued by a predecessor by amalgamation of Wireless, and have a principal balance owing of $43.25 million. Holdings is a guarantor of the Second Lien Notes and each of Wireless and Holdings has delivered a General Security Agreement to secure the obligations thereunder. The obligations under the Second Lien Notes are fully and effectively subordinated and postponed to the full and final payment of all obligations under the First Lien Notes. The Second Lien Notes bear interest at a rate of 15.5% annually. Interest has not been paid on the Second Lien Notes during this proceeding. As of May 31, 2015 the amount outstanding on the Second Lien Notes (including accrued interest) was approximately $64 million. Pursuant to the Second Lien Note Purchase Agreement and the Plan, a Liquidity Payment in the amount of $7 million is payable to the Second Lien Lenders upon the occurrence of a sale of all or substantially all of the assets of the Applicants;

(e) 15% Senior Unsecured Debentures due September 25, 2018 (the "**Unsecured Senior Notes**"), were issued by Holdings, and have a principal balance owing of $95.0 million. 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 May 31, 2015 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 May 31, 2015) was approximately $201 million;

(f) 12% Convertible Notes (the "**Unsecured Pari Passu Notes**") due September 25, 2018, issued by Holdings to its shareholder QCP CW S.A.R.L. ("**Quadrangle**"), with a principal balance owing of $59.741 million. The Unsecured Pari Passu Notes rank *pari passu* with the Unsecured Senior Notes. Interest has not been paid on the Unsecured Pari Passu Notes during this proceeding. As of May 31, 2015 the amount outstanding on the Unsecured Pari Passu Notes (including accrued interest) was approximately $109 million; and

(g) 12% Convertible Notes (the "**Unsecured Subordinated Notes**") due September 25, 2018, issued by Holdings to Quadrangle, have a principal balance owing of $35.0 million. The Unsecured Subordinated Notes rank subordinate to the Unsecured Pari

Passu Notes and the Unsecured Senior Notes. Interest has not been paid on the Unsecured Subordinated Notes during this proceeding. As of May 31, 2015 the amount outstanding on the Unsecured Subordinated Notes (including accrued interest) was approximately $48 million.

MONITOR'S CONCLUSION AND RECOMMENDATION

31. The Applicants have made a motion for an Approval Order, inter alia:

    a) Abridging the time for service of the Notice of Motion, Motion Record and this Report if necessary, and declaring that the motion is properly returnable on the date heard;

    b) Authorizing the execution of the Sale Agreement and the Catalyst Agreement by the Vendors; and

    c) Sealing the Sale Agreement and the Catalyst Agreement.

32. The Monitor is of the view that the Sale Agreement is the most advantageous sale transaction available for the Mobilicity stakeholders. It is in an amount that far exceeds any prior offer received in respect of the Applicants' assets, prior to or during the CCAA proceeding. The proceeds are projected to permit the Applicants' outstanding secured debt to be repaid in full, and to provide a substantial residual amount to be distributed to the Applicants' unsecured creditors pursuant to a distribution order to be sought at a later date.

33. The Sale Agreement has the support of substantially all of the Applicants' secured creditors and known affected unsecured creditors. The Applicants' trade creditors will be unaffected and will see their pre and post filing obligations assumed by the Purchaser.

34. Given the nature of the assets and the impediments to a successful sale of the assets of the Applicants, the Monitor is of the opinion that the proposed sale is more beneficial to the creditors of the Applicants than a sale or disposition under a bankruptcy.

35. The Monitor is of the view that the Applicants have acted in accordance with the Initial Order, in good faith, and with due diligence.

36. It is therefore the Monitor's conclusion that the Sale Agreement is fair and reasonable and complies with the requirements of section 36 of the CCAA.

37. The Monitor recommends that the Court grant the requested relief.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 23rd DAY OF JUNE 2015

ERNST & YOUNG INC.

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

Per:

Brian Denega
Senior Vice President

APPENDIX A

Court File CV-13-10274-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	WEDNESDAY, THE 13TH
	)	
JUSTICE NEWBOULD	)	DAY OF NOVEMBER, 2013

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

ORDER
(Approval of Sale Procedures)

THIS MOTION, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, for an Order:

(a) that the time for service of the Notice of Motion, the Motion Record and the second report of the Monitor, Ernst & Young Inc. (the "**Monitor**") dated November 11, 2013 (the "**Second Report**") is abridged and validated so that this Motion is property returnable today and dispensing with further service thereof; and

(b) approving the sale procedures (the "**Sale Procedures**"), substantially in the form attached as Schedule "A" to this Order,

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the material filed, including the Notice of Motion, the Second Report and the Affidavit of William E. Aziz sworn November 7, 2013 and the exhibits thereto (the "**Aziz Affidavit**"), and on hearing the submissions of counsel for the Applicants, the Monitor, and such other counsel present, no one else appearing although duly served as appears from the affidavit of service of Evan Cobb sworn November 8, 2013:

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion, the Motion Record and the Second Report is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

SALE PROCEDURES

2. THIS COURT ORDERS that the Sale Procedures, substantially in the form attached as Schedule "A" to this Order, be and are hereby approved.

3. THIS COURT ORDERS that the Monitor and the Applicants, be and are hereby authorized and directed to perform their obligations under and take such steps as they consider necessary or desirable in carrying out the Sale Procedures, and any steps taken by the Monitor and the Applicants in connection with the Sale Procedures prior to the date hereof be and are hereby approved and ratified.

4. THIS COURT ORDERS that the Monitor and its affiliates, partners, directors, employees and agents shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of the Sale Procedures, except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Monitor in performing its obligations under the Sale Procedures (as determined by this Court).

5. THIS COURT ORDERS that, in connection with the Sale Procedures and pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Applicants and the Monitor are authorized and permitted to disclose personal information of identifiable individuals to prospective investors, financiers, purchasers or bidders and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more investment, finance or sale transaction (each, a "**Transaction**"). Each prospective investor, financier, purchaser, or bidder to whom such information is disclosed shall maintain and protect the privacy of such information and shall limit the use of such information to its evaluation of the Transaction, and if it does not complete a Transaction, shall; (i) return all such information to the Applicants or the Monitor; or (ii) destroy all such information that is not electronically stored and, in the case of such information that is electronically stored, destroy all such information to the extent it is reasonably practical to do so. The purchaser in any Transaction shall be entitled to continue to use the personal information provided to it, and

related to the property purchased, in a manner which is in all material respects identical to the prior use of such information by the Applicants, and shall return all other personal information to the Applicants or the Monitor, or ensure that all other personal information is destroyed.

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MB

SCHEDULE "A"
SALE PROCEDURES
(see attached)

Sale Procedures

Set forth below are the Sale Procedures (the "**Sale Procedures**") to be employed with respect to the proposed sale of all or substantially all of the business and assets or shares of Data & Audio Visual Enterprises Wireless Inc. ("**Wireless**") and Data & Audio Visual Enterprise Holdings Inc. ("**Holdings**", together with Wireless, the "**Sellers**").

On September 29, 2013, the Sellers and 8440522 Canada Inc. (collectively, the "**Debtors**") commenced proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA**" and the "**CCAA Proceedings**") before the Ontario Superior Court of Justice (the "**Court**").

On November 13, 2013, the Debtors obtained a sale procedures order (the "**Sale Procedures Order**") under the CCAA from the Court approving these Sale Procedures.

Pursuant to the Sale Procedures, the Debtors, with their financial advisor, Canaccord Genuity Corp. (the "**Financial Advisor**"), will pursue a sale of the Assets (as defined below) under a fair and competitive sale process under the supervision of Ernst & Young Inc., in its capacity as the Court-appointed monitor in the CCAA Proceedings (the "**Monitor**"), and the Court, pursuant to which all interested parties will be provided with a fair and equal opportunity to participate in the Sale Process (as defined below).

Notwithstanding anything contained herein, the Sellers shall have the right to enter into an exclusive transaction for the sale of the Assets, or any portion thereof, outside of the Sale Process prior to the Participation Deadline (as defined below) on terms acceptable to the Sellers, the Monitor and the purchasers under the DIP Note Purchase and Guarantee Agreement dated September 30, 2013 (collectively the "**DIP Lenders**").

Sale Process

The Sale Procedures set forth herein describe, among other things, (a) the Assets available for sale, (b) the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Assets, (c) the manner in which bidders and bids can become Qualified Bidders (as defined below) and Qualified Bids (as defined below), (d) the receipt and negotiation of bids received, (e) the ultimate selection of any Successful Bidder (as defined below), and (f) the approval thereof by the Court (collectively, the "**Sale Process**"). The Monitor intends to consult with the Sellers and the DIP Lenders and their respective advisors throughout the Sale Process.

Assets To Be Sold

The Sellers are offering for sale, in one or more transactions, substantially all of the Sellers' business and assets (the "**Assets**"). The Sellers reserve the right to eliminate certain assets available for sale pursuant to the Sale Process prior to the Bid Deadline (as defined below). For the purposes of these Sale Procedures, a sale of the Assets also includes a transaction pursuant to which the shares of the Sellers are arranged by or sold to the Successful Bidder.

"As Is, Where Is"

The sale of the Assets will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature or description by the Sellers, its agents or estates, except to the extent set forth in a definitive transaction agreement signed by the Sellers and the Successful Bidder. By submitting a bid, each Potential Bidder (as defined below) shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Assets prior to making its bid, that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Assets in making its bid, and that it did not rely upon any written or oral statements, representations, warranties, or guarantees, express, implied, statutory or otherwise, regarding the Assets or the completeness of any information provided in connection therewith, except as expressly stated in these Sale Procedures or as set forth in a definitive transaction agreement signed by the Sellers and the Successful Bidder.

Free Of Any And All Claims And Interests

Except as may otherwise be provided in the Successful Bidder's transaction agreement, all of the rights, title and interests of the Sellers in and to the Assets, or any portion thereof, will be sold free and clear of all Liens and Claims (which may be defined in the Transaction Order (as defined below)), subject to any Permitted Encumbrances (which may be defined in the Transaction Order), pursuant to an order by the Court approving the sale of the Assets, or a portion thereof, and vesting in the Successful Bidder all of the Sellers' rights, title and interests in and to such Assets, or a portion thereof, whether by way of an approval and vesting order or a sanction order, the "**Transaction Order**"), when granted, such Liens and Claims to attach to the net proceeds of the sale of such Assets.

Publication Notice

Within three (3) days of entry of the Sale Procedures Order by the Court, or as soon as practicable thereafter, (i) the Sellers shall publish notice of these Sale Procedures in *The Globe and Mail (National Edition)* and (ii) the Sellers shall issue a press release regarding the Sale Process through Canada Newswire, designating dissemination in Canada and major financial centers in the United States.

Solicitation of Interest

As soon as reasonably practicable after the granting of the Sale Procedures Order, the Financial Advisor, in consultation with the Sellers, the Monitor and the DIP Lenders, will prepare an initial offering summary (the "**Teaser Letter**") notifying prospective purchasers of the Assets (both strategic and financial parties (including existing shareholders and noteholders of the Sellers and parties proposed by the DIP Lenders)) of the existence of the Sale Process and inviting prospective purchasers to express their interest in making an offer for the Assets.

Participation Requirements

Unless otherwise ordered by the Court or as otherwise determined by the Monitor, in consultation with the Sellers and the DIP Lenders, in order to participate in the Sale Process, prior to December 2, 2013 at 10:00 p.m. (ET) (as may be extended as set out below, the "**Participation Deadline**"), each person who wishes to participate in the Sale Process, and in the event that such person is an entity formed for the purpose of acquiring the Assets, or any portion thereof, each actual or proposed holder of the equity (whether in the form of stock, partnership interests, LLC interests, debt issued in connection with such person's bid for the Assets or otherwise) or proposed beneficiary of such person through license or similar arrangement granted in connection with such person's bid (each, an "**Equity Holder**") (each such person who wishes to participate in the Sale Process and each Equity Holder thereof, a "**Potential Bidder**") must deliver to the Notice Parties (as defined below) at the addresses provided below all of the following documents (the "**Participation Materials**"):

a) an executed confidentiality agreement (to be delivered prior to the distribution of any confidential information by the Sellers to such Potential Bidder) in a form and substance acceptable to the Sellers, and which shall inure to the benefit of any purchaser of the Assets, or any portion thereof. In the event the Potential Bidder has already entered into a confidentiality agreement with either of or both of the Sellers, prior to the distribution of any additional confidential information by the Sellers to such Potential Bidder, such Potential Bidder must provide a statement waiving any of its rights under such confidentiality agreement that are in conflict with the Sale Procedures or that would otherwise prohibit disclosures regarding the Potential Bidder, or any transactions it may enter into with the Sellers, to the Notice Parties and other Qualified Bidders who submit a Qualified Bid;

b) current audited financial statements and latest unaudited financial statements of the Potential Bidder, or such other form of financial disclosure and credit quality support or enhancement that allows the Monitor, in consultation with the Sellers, to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate a sale;

c) confirmation that the Potential Bidder has not engaged and will not engage in any collusion with respect to the bidding or the transactions, and if such Potential Bidder is an entity formed for the purpose of acquiring the Assets, or any portion thereof, confirmation from each of the Equity Holders of such Potential Bidder that such Equity Holder has not engaged and will not engage in any collusion with respect to the bidding or the transactions, such confirmation, in each case, in form and substance satisfactory to the Monitor; and

d) a statement outlining the Potential Bidder's interest in purchasing the Assets, or a portion thereof, from the Sellers, including: (i) any Assets expected to be excluded; (ii) the structure and financing of the sale (including, but not limited to, the sources of financing for the purchase price and all requisite financial assurance); (iii) any anticipated corporate or other approvals required to close the sale, the anticipated time frame and any anticipated impediments for obtaining such approvals; and (iv) any conditions to closing that the Potential Bidder may wish to impose.

The Monitor, after consultation with the Sellers and the DIP Lenders, may extend the Participation Deadline once or successively, but is not obligated to so.

If it is determined by the Monitor, after consultation with the Sellers and the DIP Lenders, that a Potential Bidder: (i) has a *bona fide* interest in an acquisition of the Assets; (ii) has delivered all of the Participation Materials prior to the Participation Deadline; and (iii) has the financial capability (based on availability of financing, experience and other considerations) to consummate such a transaction based on such Potential Bidder's financial information; such Potential Bidder will be deemed a "**Qualified Bidder**". The determination as to whether a Potential Bidder is a Qualified Bidder will be made as promptly as practicable after a Potential Bidder delivers all of the Participation Materials, and each such determination shall be reported to each of the Notice Parties and to the applicable Qualified Bidder. The Monitor may determine, after consultation with the Sellers and the DIP Lenders, whether to entertain bidders for the Assets that have not met one or more of the requirements specified above and deem such bidders to be Qualified Bidders.

Due Diligence

The Sellers may in their reasonable business judgment, and subject to competitive and other business considerations, afford each Qualified Bidder and any other person seeking to become a Qualified Bidder that has executed a confidentiality agreement as described in clause (a) under the heading "Participation Requirements" above with the Sellers such access to due diligence materials and information relating to the Assets as the Sellers deem appropriate after consultation with the Monitor and the DIP Lenders. Due diligence access may include management presentations as may be scheduled by the Sellers, access to electronic data rooms, on-site inspections, and other matters which a Qualified Bidder may reasonably request and as to which the Sellers, in its reasonable business judgment, may agree. The Monitor will designate a representative to coordinate all reasonable requests for additional information and due diligence access from Qualified Bidders and the manner in which such requests must be communicated. No additional due diligence for any party other than a Qualified Bidder who has submitted a Qualified Bid will continue after the Bid Deadline (as defined below). Neither the Sellers nor any of their affiliates (or any of their respective representatives) will be obligated to furnish any information relating to the Assets to any person other than to Qualified Bidders. The Sellers make no representation or warranty as to the information to be provided through this due diligence process or otherwise, except as set forth in any definitive transaction agreement(s) with the Successful Bidder.

Bid Deadline

A Qualified Bidder that desires to make a bid shall deliver written copies of its bid to each of the following parties (collectively, the "**Notice Parties**"): (i) the Monitor, Ernst & Young Inc., Ernst & Young Tower, 222 Bay Street, Toronto, ON M5K 1J7, Attention: Mike Dean, email: mike.p.dean@ca.ey.com; (ii) counsel to the Sellers, Norton Rose Fulbright Canada LLP, Royal Bank Plaza, South Tower, 200 Bay Street, Suite 3300, P.O. Box, Toronto, ON M5J 2Z4, Attention: Virginie Gauthier, fax: 416-216-3930, e-mail: virginie.gauthier@nortonrosefulbright.com; (iii) Canaccord Genuity Corp., Brookfield Place, 161 Bay Street, Suite 3000, Toronto, ON M5J 2S1, Attention: Barry Goldberg and Michael Levin, e-mail: bgoldberg@canaccordgenuity.com and mlevin@canaccordgenuity.com; and (iv) counsel to the DIP lenders, Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, ON M5H 2S7, Attention: Robert Chadwick, fax: 416-979-1234, e-mail: rchadwick@goodmans.ca, so as to be received by the Monitor no later than December 9, 2013 at 5:00 p.m. (ET) (as may be extended as set out below, the "**Bid Deadline**"). The Monitor, after consultation with the Sellers and the DIP Lenders, may extend the Bid Deadline once or successively, but is not obligated to do so. If the Monitor extends the Bid Deadline, the Monitor will promptly notify all Qualified Bidders and the Notice Parties.

Qualified Bid

A bid submitted will be considered a Qualified Bid only if the bid is submitted by a Qualified Bidder and complies (either individually or in combination with other bids that make up one Qualified Bid) with all of the following (a "**Qualified Bid**"):

a) the bid (either individually or in combination with other bids that make up one Qualified Bid) is an offer to purchase some or all of the Assets on terms and conditions reasonably acceptable to the Monitor, as determined after consultation with the Sellers and the DIP Lenders;

b) it includes a letter stating that the Qualified Bidder's offer is irrevocable until the selection of the Successful Bidder, provided that if such Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the earlier of (i) the closing of the Sale to the Successful Bidder, and (ii) 21 days from the Sale Approval Motion, subject to further extensions as may be agreed to under the applicable transaction agreement(s);

c) it includes a duly authorized and executed transaction agreement(s), including the purchase price for the Assets expressed in Canadian dollars (the "**Purchase Price**") together with all exhibits and schedules thereto, all applicable ancillary agreements with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such agreements), and proposed orders to approve the sale by the Court;

d) it includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Monitor, in consultation with the Sellers and the DIP Lenders, to make a reasonable determination as to the Qualified Bidder's financial and other capabilities to consummate the Sale;

e) it is not conditioned on (i) the outcome of unperformed due diligence by the Qualified Bidder and/or (ii) obtaining financing;

f) it fully discloses the identity of each entity that will be bidding for the Assets or otherwise sponsoring, financing (including through the issuance of debt in connection with such bid), participating or benefiting from (including through license or similar arrangement with respect to the assets to be acquired in connection with such bid), such bid, and the complete terms of any such sponsorship, participation, financing or benefit, such disclosure to include, without limitation: (i) in the case of a Qualified Bidder formed for the purposes of acquiring Assets (or any portion thereof), the identity of each of the actual or proposed Equity Holders of such Qualified Bidder and the terms and participation percentage of such Equity Holder's interest in such bid; and (ii) the identity of each entity that has or will receive a benefit from such bid from or through the Qualified Bidder or any of its Equity Holders and the terms of such benefit;

g) it includes a commitment by the Qualified Bidder to provide a non-refundable deposit upon being selected as the Successful Bidder and in any event, prior to service of the materials for the Sale Approval Motion (as defined below);

h) it includes an acknowledgement and representation of the Qualified Bidder that: (i) it has had an opportunity to conduct any and all due diligence regarding the Assets prior to making its offer; (ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Assets in making its bid; (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Assets or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Sellers;

i) it includes evidence, in form and substance reasonably satisfactory to the Monitor, of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction agreement(s) submitted by the Qualified Bidder;

j) it contains other information reasonably requested by the Monitor, in consultation with the Sellers and the DIP Lenders; and

k) it is received by the Bid Deadline.

The Monitor may determine, in consultation with the Sellers and the DIP Lenders, whether to entertain bids for the Assets that do not conform to one or more of the requirements specified herein and deem such bids to be Qualified Bids; provided that the Monitor, in evaluating such bids, may not waive substantial compliance with any of the above requirements without prior written consent of the Sellers and the DIP Lenders.

The Monitor shall notify each Qualified Bidder in writing as to whether such Qualified Bidder's bid constituted a Qualified Bid within three (3) business days of the expiration of the Bid Deadline, or at such later time as the Monitor deems appropriate after consultation with the Sellers and the DIP Lenders.

If the Monitor, after consultation with the Sellers and the DIP Lenders, is not satisfied with the number or terms of the Qualified Bids submitted by the Bid Deadline, the Monitor may extend the Bid Deadline, or cancel the Sale Process.

Aggregate Bids

The Monitor may, following consultation with the Sellers and the DIP Lenders, aggregate separate bids from unaffiliated Potential Bidders to create one "Qualified Bid" from one or more "Qualified Bidders"; provided that all such bidders shall remain subject to the requirements preventing collusion in these Sale Procedures.

Evaluation of Competing Bids

A Qualified Bid will be valued based upon several factors, including, without limitation, items such as the Purchase Price and the net value provided by such bid, the claims likely to be created by such bid in relation to other bids, the counterparties to such transactions, the proposed transaction documents, other factors affecting the speed, certainty and value of the transaction (including any regulatory approvals required to close the transactions), the assets included or excluded from the bid, the transition services required from the Sellers post-closing, if any, and any related restructuring costs, and the likelihood and timing of consummating such transactions, each as determined by the Monitor, in consultation the Sellers and the DIP Lenders.

Selection of Successful Bid

The Monitor, in consultation with the Sellers and the DIP Lenders, (a) will review and evaluate each Qualified Bid, provided that each Qualified Bid may be negotiated among the Sellers, in consultation with the Monitor and the DIP Lenders, and the applicable Qualified Bidder, and may be amended, modified or varied to improve such Qualified Bid as a result of such negotiations, and (b) identify the highest or otherwise best offer for the Assets (the "**Successful Bid**", and the Qualified Bidder making such Successful Bid, the "**Successful Bidder**"). The determination of any Successful Bid by the Monitor, after consultation with the Sellers and the DIP Lenders, shall be subject to approval by the Court.

Neither the Monitor nor the Sellers shall have any obligation to select a Successful Bid, and they reserve the right, after consultation with the DIP Lenders, to reject any or all Qualified Bids.

Sale Approval Motion Hearing

The motion for an order of the Court approving any Successful Bid or any plan to give effect to any Successful Bid (the "**Sale Approval Motion**") shall be set by the Monitor.

At the hearing of the Sale Approval Motion, the Sellers shall seek, among other things, approval from the Court to consummate any Successful Bid.

All the Qualified Bids other than the Successful Bid, if any, shall be deemed rejected by the Sellers on and as of the date of approval of the Successful Bid by the Court.

Reservation of Rights

The Monitor, after consultation with the Sellers and the DIP Lenders, may (a) determine which Qualified Bid, if any, is the highest or otherwise best offer; (b) reject at any time before the issuance and entry of an order approving a Qualified Bid, any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Sale Procedures or any order of the Court, or (iii) contrary to the best interests of the Sellers or its creditors; and (c) may modify the Sale Procedures or impose additional terms and conditions on the sale of the Assets.

Neither the Monitor nor the Sellers shall have any obligation to select a Successful Bid, and they reserve the right, after consultation with the DIP Lenders, to reject any or all Qualified Bids.

Nothing herein shall limit the right of any holders of notes of the Sellers, including holders of the senior secured notes, the unsecured notes, the bridge notes and the DIP notes, to advance a recapitalization or CCAA plan.

Miscellaneous

These Sale Procedures are solely for the benefit of the Sellers and nothing contained in the Sale Procedures Order or these Sale Procedures shall create any rights in any other person or bidder (including without limitation rights as third party beneficiaries or otherwise) other than the rights expressly granted to a Successful Bidder under the Sale Procedures Order.

Except as provided in the Sale Procedures Order and Sale Procedures, the Court shall retain jurisdiction to hear and determine all matters arising from or relating to the implementation of the Sale Procedures Order and the Sale Procedures.

Limitation of Liability

The Monitor shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, the Sellers, the DIP Lenders or any creditor or other stakeholder, for any act or omission related to the process contemplated by these Sale Procedures. By submitting a bid, each Potential Bidder shall be deemed to have agreed that it has no claim against the Monitor for any reason whatsoever.

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

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

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.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER
(Approval of Sale Procedures)

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APPENDIX B

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 8440522 CANADA INC., DATA & AUDIO-VISUAL ENTERPRISES WIRELESS INC., AND DATA & AUDIO-VISUAL ENTERPRISES HOLDINGS INC.
(collectively, the "Applicants")

SIXTH REPORT OF THE MONITOR

APRIL 22, 2014

INTRODUCTION

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

2. On September 30, 2013, this Court made an order (the "**Initial Order**") granting the application and providing for, among other things, the appointment of Ernst & Young Inc. as monitor in the CCAA proceedings of the Applicants (the "**Monitor**") and a stay of proceedings against the creditors of the Applicants until October 30, 2013 or such later date as this Court may order. The stay of proceedings was most recently extended to April 30, 2014 pursuant to an order of this Court dated March 21, 2014.

3. On November 13, 2013 this Court made an order (the "**Sale Procedures Order**"), inter alia:

a) Approving the Sale Procedures, substantially in the form appended to the Sale Procedures Order; and

b) Authorizing and directing the Monitor and the Applicants to perform their responsibilities under, and to take such steps as they consider necessary in carrying out, the Sale Process.

4. A copy of the Sale Procedures Order is attached as Appendix "**A**" to this report.

PURPOSE

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

(a) The conduct of the Sale Process by the Monitor and the Applicants;

(b) The Monitor's recommendation in respect of the Sale Process;

(c) The state of Mobilicity's business and affairs;

(d) An overview of the plan of arrangement prepared by Mobilicity, in the form attached as Appendix "**B**" to this Sixth Report (the "**Plan**"), including projected distributions under the Plan, the Monitor's view of alternatives to the Plan, and the Monitor's opinion that the Plan is fair and reasonable;

(e) An overview of the proposed procedure for Mobilicity to call and conduct a meeting of its affected unsecured creditors (the "**Meeting**") to consider and vote on the Plan, as may be amended pursuant to its terms;

(f) The Applicants' actual receipts and disbursements to April 11, 2014;

(g) The Applicants' updated cash flow statement;

(h) Operational matters of the Applicants;

(i) The Applicants' request for an extension of the Stay Period (as defined in the Initial

Order) until June 30, 2014;

(j) The fees and disbursements of the Monitor and its counsel to April 11, 2014;

(k) The Monitor's recommendation in respect of the Applicants' motion for an Order (the "**Meeting Order**"):

i. Authorizing the Applicants to file the Plan with the Court;

ii. Authorizing and establishing the procedure for Mobilicity to call for and conduct the Meeting on April 30, 2014;

iii. Approving the form of materials to be distributed to affected unsecured creditors in respect of the Meeting;

iv. Extending the Stay Period (as defined in the Initial Order, as amended) until June 30, 2014;

v. Approving the fees and disbursements of the Monitor and its counsel to April 11, 2014 in the amounts of $1,205,801.22 and $537,375.74, respectively, including HST; and

vi. Approving the fees and disbursements of the Monitor and its counsel and the Monitor's activities to date.

DISCLAIMER

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

(a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally

Accepted Assurance Standards ("**GAAS**") pursuant to the Canadian Institute of Chartered Accountants Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; 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.

CONTEXT

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

8. For convenience, capitalized terms not defined in this Report are as defined in the 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 April 16, 2014 (the "**Aziz Affidavit**"), attached (without exhibits) as Appendix "**C**" to this Report.

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

SUMMARY OF SALE PROCEDURES

Notice

10. The Sale Procedures required that within three (3) days of entry of the Sale Procedures Order by the Court, or as soon as practicable thereafter, (i) the Sellers (defined in the Sale Procedures to mean Holdings and Wireless) publish notice of the Sale Procedures in *The*

Globe and Mail (National Edition) and (ii) the Sellers issue a press release regarding the Sale Process (defined in the Sale Procedures to mean the sale process from solicitation through any Court approval of a transaction) through Canada Newswire, designating dissemination in Canada and major financial centers in the United States.

11. Attached as Appendix "**D**" to this Report is a copy of the notice of the Sale Procedures that was published by the Monitor in *The Globe and Mail (National Edition)* on November 15, 2013.

12. Attached as Appendix "**E**" to this Report is a copy of the press release from Mobilicity that was issued through Canada Newswire on November 14, 2013.

Solicitation of Interest.

13. The Sale Procedures required that as soon as reasonably practicable after the granting of the Sale Procedures Order, Canaccord Genuity Group (the "**Financial Advisor**"), in consultation with the Sellers, the Monitor and the DIP Lenders, prepare an initial offering summary (the "**Teaser Letter**") notifying prospective purchasers (both strategic and financial parties (including existing shareholders and noteholders of the Sellers and parties proposed by the DIP Lenders)) of the existence of the Sale Process and inviting prospective purchasers to express their interest in making an offer to purchase.

14. After consultation with the Applicants, the Monitor and counsel to the DIP Lenders, the Financial Advisor contacted 25 parties that were considered to be legitimate prospective purchasers, advising those parties of the Sale Procedures and inviting them to express their interest in making a purchase offer. The parties that were approached were national and regional Canadian telecommunications providers, credible financial advisors known to represent Canadian telecommunications providers, major telecommunications providers in the United States and Europe, all debt and equity holders of the Applicants who had previously expressed an interest in purchasing or providing debt or equity financing to the Applicants, and all financial investors who had previously expressed an interest in purchasing or providing debt or equity financing to the Applicants.

15. An additional eight parties contacted the Monitor directly, in response to the publication of the Sale Procedures notice in *The Globe and Mail*, to express an interest in some or all of the assets of the Applicants. These parties consisted primarily of asset liquidation firms and small network providers. For convenience, the parties approached by the Financial Advisor and the parties who contacted the Monitor directly are referred to collectively as the "**Potential Bidders.**"

16. The Applicants' previous sale and refinancing initiatives were described in paragraphs 91-93 of the affidavit of William E. Aziz sworn September 29, 2013, a copy of which (without appendices) is attached as Appendix "**F**" to this Report. The vast majority of the parties approached by the Financial Advisor had engaged in detailed discussions and/or due diligence with the Applicants and the Financial Advisor prior to the commencement of this Proceeding. Consequently, numerous Potential Bidders approached by the Financial Advisor during the Sale Process were able to express their interest, or lack of same, in the opportunity in advance of receiving a Teaser Letter, or signing a non-disclosure agreement ("**NDA**") and conducting detailed due diligence. The Monitor provided copies of the Teaser Letter to all eight of the Potential Bidders who had contacted the Monitor directly.

<u>Due Diligence Access</u>

17. The Sale Procedures authorized the Sellers, in their reasonable business judgment, and subject to competitive and other business considerations, to afford any Potential Bidder access to due diligence materials and other information as the Sellers deemed appropriate after consultation with the Monitor and the DIP Lenders. Prior to the distribution of any confidential information by the Sellers, the Potential Bidder was required to provide an executed NDA in a form and substance acceptable to the Sellers and the Monitor.

18. Nine of the Potential Bidders provided executed NDAs in the form required by the Sellers or, in a limited number of cases, with modifications requested by the Potential Bidder that were acceptable to the Sellers and the Monitor. Of these parties, eight were allowed access to an electronic data room maintained by the Sellers that was intended to be the primary source of due diligence information (the "**Electronic Data Room**"). It is the Monitor's

understanding that during the Applicants' attempts prior to this Proceeding to effect a sale or refinancing, numerous parties (including the Potential Bidders who, in the Sale Process, executed NDAs pursuant to the Sale Procedures and a number of the other Potential Bidders who chose not to proceed with the opportunity) were allowed access to prior iterations of the Electronic Data Room to facilitate their detailed due diligence.

19. The Monitor and the Financial Advisor were unable to satisfy themselves that one Potential Bidder who had contacted the Monitor directly was in fact a bona fide potential purchaser with the financial wherewithal to conclude a purchase transaction; this party was provided with a copy of the confidential information package, summarizing the business and assets of Mobilicity but was not granted access to the Electronic Data Room itself. For convenience this party is referred to in the balance of this Report as the "**Objected Bidder**."

20. The Electronic Data Room consisted of more than 2,500 documents containing detailed information about the assets, liabilities, business and operations of the Sellers. For the eight Potential Bidders described in the previous paragraph who were allowed Electronic Data Room access, no restriction was placed by the Sellers or the Monitor on the number of representatives who were allowed access. In addition, all eight of these Potential Bidders were allowed access to all sections of the Electronic Data Room.

21. The Potential Bidders that were allowed access to the Electronic Data Room were also offered the opportunity to meet with Mobilicity management and/or to conduct on-site inspections as part of their detailed due diligence. Only one Potential Bidder met with management or conducted on-site inspections. As noted previously, many of the Potential Bidders had previously conducted extensive due diligence, including meetings with Mobilicity management. The Monitor and the Financial Advisor also made themselves available upon request for telephone calls or meetings with any Potential Bidders who requested them.

22. Certain of the Potential Bidders submitted written requests to the Monitor for clarification and/or updated information. Any updated information made available in response to such

requests was loaded into the Electronic Data Room by the Sellers and was therefore available to all Potential Bidders with Electronic Data Room access. Notice was given to those with Electronic Data Room access that additional information was available. In order to avoid disclosing the identity and/or intentions of the Potential Bidders who submitted the questions, responses to written requests for clarification were provided in writing to the respective Potential Bidders but those responses were not made visible in the Electronic Data Room to other Potential Bidders.

Submission of Participation Materials

23. The Sale Procedures specified that, in order for an offer by a Potential Bidder to be considered, it had to be submitted by a Qualified Bidder. For a Potential Bidder to be deemed a Qualified Bidder by the Monitor, it had to submit Participation Materials (the requisite components of which are listed in detail in the Sale Procedures Order attached as Appendix "**A**" to this Report) to the Monitor and specified other parties (collectively the "**Notice Parties**") on or before December 2, 2013 at 10:00 p.m. (ET), or such later date as might be decided by the Monitor after consultation with the Sellers and the DIP Lenders (the "**Participation Deadline**").

24. In addition to the requirement for submission of Participation Materials, in order for the Monitor to deem a Potential Bidder to be a Qualified Bidder, the Monitor (after consultation with the Sellers and the DIP Lenders) was required to determine that the Potential Bidder (i) has a *bona fide* interest in an acquisition of the Assets; and (ii) has the financial capability (based on availability of financing, experience and other considerations) to consummate such a transaction based on such Potential Bidder's financial information. The Sale Procedures authorized the Monitor to determine (after consultation with the Sellers and the DIP Lenders) whether to entertain bidders that had not met one or more of the requirements specified above and deem such bidders to be Qualified Bidders.

25. On or before the Participation Deadline, the Monitor received Participation Materials from six Potential Bidders. The Objected Bidder did not submit Participation Materials.

26. A number of the Participation Materials received did not include all of the components required under the Sale Procedures. The Monitor reviewed the Participation Materials received in detail with its counsel, the CRO, counsel to Mobilicity, the Financial Advisor, and counsel to the DIP Lenders. The Monitor concluded, in consultation with the other parties listed in the preceding sentence, that:

(a) notwithstanding any information deficiencies in their respective Participation Materials, each of the Potential Bidders that had submitted Participation Materials could reasonably be considered to have a *bona fide* interest in an acquisition of all or part of the Assets and the financial capability to consummate the transaction they described; and

(b) it was in the interests of Mobilicity's stakeholders that all *bona fide* potential purchasers who were interested in submitting offers to purchase all or part of the Assets be permitted to do so.

27. Consequently, on December 3, 2013 and December 4, 2013 the Monitor wrote to each of the six Potential Bidders in question, with copies to the Notice Parties, and notified the Potential Bidders that they had been deemed Qualified Bidders.

Qualified Bid Criteria and Interim Communication with Qualified Bidders

28. The Sales Procedure specifies that a bid submitted will be considered a Qualified Bid only if the bid is submitted by a Qualified Bidder no later than December 9, 2013 at 5:00 p.m. (ET) (the "**Bid Deadline**"), and complies (either individually or in combination with other bids that make up one Qualified Bid) with the criteria for a Qualified Bid, as set out in detail in the Sales Procedure Order attached as Appendix "**A**" to this Report. The Monitor notes in particular the following criteria for a Qualified Bid:

(a) The bid (either individually or in combination with other bids that make up one Qualified Bid) is an offer to purchase some or all of the Assets on terms and conditions reasonably acceptable to the Monitor, as determined after consultation with the Sellers and the DIP Lenders;

(b) The bid must include a letter stating that the Qualified Bidder's offer is irrevocable until the selection of the Successful Bidder;

(c) The bid must include a duly authorized and executed transaction agreement(s), including the purchase price for the Assets expressed in Canadian dollars (the "**Purchase Price**") together with all exhibits and schedules thereto, all applicable ancillary agreements with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such agreements), and proposed orders to approve the sale by the Court;

(d) The bid must include evidence, in form and substance reasonably satisfactory to the Monitor, of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction agreement(s) submitted by the Qualified Bidder; and

(e) The bid must not be conditioned on (i) the outcome of unperformed due diligence by the Qualified Bidder and/or (ii) obtaining financing.

29. The Sale Procedures, *inter alia*, authorize the Monitor to determine, in consultation with the Sellers and the DIP Lenders, whether to entertain bids for the Assets that do not conform to one or more of the requirements specified herein and deem such bids to be Qualified Bids. The Sale Procedures also grant the Monitor, after consultation with the Sellers and the DIP Lenders, broad discretion to modify the Sale Procedures or impose additional terms and conditions on the sale of the Assets.

30. Prior to the Bid Deadline, the Monitor and representatives of either the Financial Advisor or Mobilicity's counsel participated in discussions with each of the Qualified Bidders, with a view to understanding any process issues that might impair their respective ability to submit Qualified Bids. As a result of these discussions, the Monitor (after consultation with the Sellers and counsel to the DIP Lenders) notified all Qualified Bidders that it would ease the requirement in subparagraph 29(c) herein requiring a complete transaction agreement with schedules and appendices, and would instead accept a binding term sheet

containing sufficient detail to identify the fundamental business terms of the proposed offer.

Extension of Bid Deadline

31. The Sale Procedures specified that Qualified Bidders must submit offers to purchase some or all of the Assets to the Monitor, with copies to the other Notice Parties, no later than the Bid Deadline. The Sale Procedures further indicated that the Monitor, after consultation with the Sellers and the DIP Lenders, is authorized to extend the Bid Deadline once or successively, but is not obligated to do so.

32. Late in the week preceding the Bid Deadline, the Monitor was contacted separately by representatives of two of the Qualified Bidders. Each of these parties indicated that although they had a genuine interest in acquiring the Assets, it would not be in a position to complete its due diligence and submit an offer meeting the criteria (discussed below) of a Qualified Bid by the Bid Deadline. Both Qualified Bidders requested that the Bid Deadline be extended by approximately one week, to December 16, 2013.

33. The Monitor contacted each of the Qualified Bidders in question to obtain a more detailed understanding of the reasons for the requested extension, and the Monitor and its counsel consulted with the CRO, counsel to Mobilicity, the Financial Advisor, and counsel to the DIP Lenders with respect to the request. Based on those consultations, the Monitor decided that although there was some risk that extending the Bid Deadline might delay a potential transaction because bids would be received shortly before the December holiday season, the benefit to Mobilicity's stakeholders of allowing all Qualified Bidders the opportunity to submit a sufficiently detailed bid outweighed that risk.

34. Consequently, on December 6, 2013 the Monitor sent notice to all Qualified Bidders that the Bid Deadline had been extended to December 16, 2013 at 12:00 noon (ET). A copy of the extension notice was also posted on the Monitor's web site and distributed to the service list for these Proceedings.

Bids Received

35. On or before 12:00 noon (ET) on December 16, 2013, bids were submitted to the Monitor, with copies to the other Notice Parties, by five of the six Qualified Bidders. Three of the submitted bids offered to purchase all or substantially all of the assets of Mobilicity (the "**En Bloc Bids**"). Each of the remaining two submitted bids (the "**Single Asset Bids**") offered to purchase a separate specific asset, neither of which is material to Mobilicity or its business.

36. A bid, with copies to the other Notice Parties, was also submitted to the Monitor by e-mail on December 12, 2013 by the Objected Bidder described in paragraph 22 above (the "**Objected Bid**"). The Monitor replied to the Objected Bidder by letter dated December 13, 2013, indicating that the Monitor did not consider the Objected Bidder to be a Qualified Bidder and consequently the Monitor would not be considering the Objected Bid in its analysis of bids received. The Monitor further indicated that the Monitor was willing to re-evaluate the above conclusion in the event that, prior to the extended Bid Deadline, the Objected Bidder submitted information demonstrating its financial and other capabilities to consummate its offer. The Objected Bidder did not provide any such information, although the Objected Bidder did e-mail a reminder of the Objected Bid to the Monitor and the other Notice Parties on February 13, 2014.

37. Of the En Bloc Bids, only the bid from TELUS Corporation (the "**TELUS Offer**") was, in the view of the Monitor, in substantial compliance with all of the criteria for a Qualified Bid (as modified in the Monitor's decision, noted above, to accept a detailed binding term sheet instead of a complete transaction agreement). The remaining two En Bloc Bids each contained one or more deviations from the Qualified Bid criteria that the Monitor considered too material to allow them to be deemed Qualified Bids, including in one case business terms that would effectively make the bid incapable of acceptance by a company in Mobilicity's circumstances and in the other case conditionality on, among other conditions, financing and further due diligence. Full details of all offers received from the Qualified Bidders are attached hereto as Confidential Appendix "**1**".

38. In view of the fact that the majority of the bids received did not, in the view of the Monitor, meet the Qualified Bid criteria, and the nature of the departures from the Qualified Bid criteria in certain of the bids, the Monitor exercised its discretion to modify the Sale Procedures and chose to dispense with the original requirement to notify each Qualified Bidder whether its bid was considered/deemed a Qualified Bid, and engage with all five qualified Bidders concurrently. As described below, the Monitor has evaluated all bids received and the Monitor and the Sellers have undertaken discussions as they considered necessary to clarify and negotiate the business terms of the bids, but (other than the Objected Bidder) no party that submitted a bid has been specifically notified whether its bid is considered a Qualified Bid.

Evaluation of Bids Received

39. With respect to the bids received from the five Qualified Bidders:

(a) The Monitor and its counsel reviewed the bids in detail and discussed them at length with the Applicants and their counsel, the Financial Advisor, and counsel to the DIP Lenders;

(b) The Monitor and its counsel, with the Applicants and/or the Financial Advisor, undertook discussions with representatives of each of the Qualified Bidders to clarify the key business terms and certain of the details of their bids;

(c) With respect to the bids that contained material conditions affecting the timing, certainty of completion and value of the proposed transaction (as discussed in further detail below), the Monitor and its counsel, with the Applicants, the Financial Advisor and counsel to the DIP Lenders, undertook certain discussions and analysis to assist in its evaluation of the probability of those conditions being satisfied; and

(d) As authorized under the Sale Procedures, the Sellers (in consultation with the Monitor and the DIP Lenders) negotiated certain business terms of certain of the bids.

40. The completion of these steps was complicated and prolonged by a number of factors that were outside the Monitor's or the Applicants' control, foremost among which was Industry Canada's auction of 700mHz wireless spectrum (the "**700mHz Auction**").

41. Several of the Qualified Bidders participated in the 700mHz Auction, which lasted approximately one month until its results were announced on February 19, 2014. It is the Monitor's understanding that the time commitment to plan for and participate in the 700mHz Auction represented a significant competing priority for the senior representatives of the Qualified Bidders who had responsibility for those entities' bids for Mobilicity. In addition, because it was the Monitor's information that the outcome of the 700mHz Auction would potentially have a significant effect on the Canadian wireless telecommunication industry generally, knowledge of that outcome improved the ability of the Monitor, the Sellers and the DIP Lenders to evaluate the conditions in certain of the En Bloc Offers that might affect the timing, certainty of completion and value of those proposed transactions.

Other Discussions

42. During the evaluation of the bids received, the Financial Advisor was contacted by a party (the "**MVNO**") based outside North America that carries on business as a mobile virtual network operator. A mobile virtual network operator does not own or operate its own network; instead, it enters into business agreements with mobile network operators like Mobilicity to obtain bulk access to network services at wholesale rates and then provides wireless telecommunication services directly to customers.

43. Prior to these proceedings, Mobilicity and the Financial Advisor had undertaken discussions with respect to the MVNO possibly contracting for bulk access to Mobilicity's network, but the discussions did not progress to the point of achieving mutual agreement on the terms of such an arrangement. The MVNO was not approached in the Sale Process because in the previous discussions it had not expressed any interest in acquiring Mobilicity or any of its assets. The MVNO contacted the Financial Advisor seeking to revive the previous discussions with Mobilicity and the Financial Advisor.

44. Management of the Applicants, the Financial Advisor and the Monitor met with representatives of the MVNO to discuss the nature of the MVNO's interest. Topics considered included whether the MVNO might have an interest in acquiring Mobilicity, or whether a mutually acceptable agreement could be negotiated for bulk access to Mobilicity's network that would allow Mobilicity to restructure as a going concern. To facilitate and expedite those discussions, representatives of the MVNO were given full access to the Electronic Data Room (other than certain roaming agreements, for which the MVNO was allowed access only to versions in which the pricing had been redacted).

45. Following the meetings, the representatives of the MVNO indicated that the MVNO did not have an interest in acquiring Mobilicity's business. The MVNO and Mobilicity did attempt to negotiate a mutually acceptable model for bulk access, but were unable to reach agreement on a model that management and the Financial Advisor, in consultation with the Monitor, considered viable for Mobilicity to continue as a stand-alone operation. Consequently, discussions with the MVNO were discontinued.

Selection of Successful Bid

46. After the completion of the analyses and discussions described above, the Monitor selected the bid from TELUS Corporation (the "**TELUS Offer**") as the Successful Bid and Mobilicity executed a binding term sheet, subject to conditions that include Plan approval and sanction and regulatory approvals, with TELUS. The terms of the TELUS Offer are described in summary form below.

SUMMARY OF TELUS OFFER

47. Unless otherwise defined herein, all capitalized terms used in this section are as defined in the Plan. The key business terms of the TELUS Offer are as follows:

(a) Subject to the approvals noted below, pursuant to the Plan, all existing outstanding equity and equity rights of Holdings will be cancelled for no consideration and TELUS will be issued 100% of the new equity in the share capital of Holdings and will indirectly acquire its wholly owned subsidiary, Wireless, on a cash-free and funded debt free basis;

(b) Consideration for the purchase will be $350 million, subject to a dollar-for-dollar adjustment to the extent that the consolidated working capital of Mobilicity at Plan implementation is an amount different than the Target Net Working Capital of negative $22 million or Estimated Net Working Capital as the case may be. $335 million of the purchase consideration, subject to adjustment for any changes between Target Net Working Capital and Estimated Net Working Capital, as discussed in greater detail below, will be paid by TELUS in cash on closing and the remaining $15 million will be held by TELUS to permit the determination of the closing working capital of Mobilicity;

(c) Pursuant to the Plan, TELUS will assume all trade liabilities (other than accrued professional fees more particularly described in the Plan and amounts arising from the termination or repudiation of agreements under the provisions of the CCAA, if any ("**Restructuring Claims**")), employee obligations and contracts of Wireless (subject to TELUS' ability to require Wireless to terminate certain contracts in accordance with the termination provisions of such contracts prior to the implementation of the Plan) will continue unaffected to be dealt with in the ordinary course of business in order to enable TELUS to continue the business of Mobilicity as a going concern from and after the closing date;

(d) The acquisition of control of the Holdings shares by TELUS will be effected in accordance with the Plan under which (i) the First Lien Notes, the amounts covered by the Court-ordered charges, the Second Lien Notes, and the DIP Notes will be fully and finally repaid and all claims and security in respect thereof (including all applicable Court-ordered charges) will be discharged (subject to the settlement or adjudication of the First Lien Holdback Amount described in paragraph 69(b) herein); (ii) all Unaffected Restructuring Claims will be paid in full; (iii) Trustee Fees, Mobilicity Transaction Fees and all amounts outstanding under the Charges (as defined in the Initial Order, as amended), will be paid in full and discharged where applicable; (iv) all claims in respect of the Unsecured Senior Notes, Convertible Debentures and Restructuring Claims will be compromised; (v) the Unsecured Subordinated Notes will be cancelled, the Amended and Restated Commitment Agreement will be terminated and the claims in respect thereof will be compromised; and (vi) all equity-based securities will be cancelled;

(e) The acquisition of control of the Holdings shares by TELUS is subject to conditions precedent that include (among others):

  i. Approval of the Plan by the requisite majority of affected unsecured creditors, and sanction of the Plan by the Court on terms and in form and substance satisfactory to TELUS;

  ii. Any material regulatory consents or approvals that are required in connection with the Plan shall have been obtained on terms acceptable to TELUS, including without limitation, Competition Act approval and Industry Canada approval, and if such Industry Canada approval cannot be obtained, such other manner effecting the transfer to TELUS of the Spectrum Licences that is acceptable to TELUS in its sole discretion; and

  iii. No material adverse effect shall have occurred in respect of the business, on the Transaction or on the Applicants.

REASONS FOR SELECTION OF TELUS OFFER

48. The TELUS Offer was selected as the Successful Bid because its economic and business terms are unequivocally the most advantageous for the Mobilicity stakeholders. Moreover, none of the other bids constituted an acceptable alternative:

(a) In the view of the Monitor, the Financial Advisor and the Applicants, the TELUS Offer was the only acceptable En Bloc Bid. Other than the requirement for approval and sanction of a CCAA plan arrangement, which is a requirement in all three En Bloc Bids, the only material business or regulatory conditions to the TELUS Offer are the receipt of consent of Industry Canada to the deemed transfer of the Spectrum Licences to TELUS, which consent can be obtained in any manner acceptable to TELUS, and approval of the transaction and by the Competition Bureau. By comparison, each of the other En Bloc Bids was subject to additional conditions precedent that were both material in scope and far outside the control of the Applicants or the Monitor. These material conditions posed significant risk to the timing, certainty of completion and net consideration of any potential transaction under the other En Bloc Bids, which risk was not present in the TELUS Offer;

(b) The aggregate consideration under the TELUS Offer, including its assumption of up to $22.0 million of negative working capital, is significantly greater than any of the other En Bloc Bids. Although the offer prices in all of the En Bloc Bids (or any combination of the En Bloc Bids and the other two bids submitted by Qualified Bidders) are significantly less than the aggregate indebtedness of Mobilicity, meaning that under any proposed transaction there would be a shortfall to one or more of the Applicants' stakeholder groups, the quantum of the TELUS Offer would result in the least shortfall to Mobilicity's stakeholders generally;

(c) Under the TELUS Offer, TELUS anticipates that it will retain the majority of the employees of Mobilicity. TELUS would fund payment of severance, termination or other similar or related costs in respect of any employees of the Mobilicity Group who do not remain as employees after closing of the purchase transaction. By comparison, the other En Bloc Offers contemplated either that the cost of any severance, termination and related costs would be borne by Mobilicity's stakeholders or that that no employees would be retained; and

(d) The structure of the TELUS Offer, in which all existing trade liabilities and obligations under contracts and agreements of Wireless will continue unaffected against Wireless to be dealt with in the normal course of business in accordance with the terms of the applicable contracts (subject to an adjustment to the purchase price in respect of working capital as described above) simplifies the purchase transaction and the Plan.

49. At the time of writing this Report, creditors of the Mobilicity Group holding approximately 67% of First Lien Notes, 100% of Second Lien Notes, 100% of the DIP Notes and 95% of Unsecured Senior Notes (all as defined below) (collectively, the "**Consenting Noteholders**"), have entered into support agreements in respect of the TELUS Offer.

50. The Applicants have engaged in discussions with Industry Canada in respect of the transfer of the Spectrum Licences as required pursuant to the Plan.

STATE OF THE APPLICANTS' BUSINESS AND AFFAIRS

51. Pursuant to section 23(1)(d.1) of the CCAA, in the following paragraphs the Monitor has provided a summary of the business and financial affairs of Mobilicity.

Business

52. 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.

53. Mobilicity presently has approximately 165,000 active subscribers. Its active subscriber base was approximately 194,000 at the date of the Initial Order. The number of active subscribers has remained relatively constant at the current level since late 2013.

54. As part of its business plan, Mobilicity has effectively outsourced certain elements of its business, including network building and maintenance, real-time billing and rating, customer service and handset supply to strategic business suppliers and service providers, including Ericsson Canada Inc., Amdocs Canadian Managed Services Inc. ("**Amdocs**"), Ingram Micro Inc., and Sitel Teleservices Canada.

55. In addition, Mobilicity sells cellular services and handsets primarily by way of stores independently operated by approximately 200 authorized dealers (the "**Dealers**").

56. As at the date of this Report, the Applicants have 73 employees. In response to Mobilicity's financial difficulties, management has reduced the number of employees by approximately 260 people since December 2011. As at the date of the Initial Order, Mobilicity had 132 employees.

57. As Mobilicity built out its network and attracted its customer base, Mobilicity incurred consolidated losses for accounting purposes of approximately $496 million from inception to March 31, 2014. As described in the Actual Receipts and Disbursements and Cash Flow Statement sections, the Applicants' cash flow continues to be negative due to operating losses and the costs of this Proceeding. Once their existing cash resources have been exhausted, the Applicants will not be able to continue operations without additional third-party funding.

Assets

58. According to the unaudited consolidated financial statements of Mobilicity, as at March 31, 2014 the Mobilicity Group's assets were valued on a book basis at approximately $342.7 million, as follows:

Assets	Assets	Current Assets	Cash & Cash Equivalents	$8,319,216
			Accounts Receivable	$2,156,455
			Inventory	$33,490
			Prepaid Expenses	$2,968,614
		Current Assets		**$13,477,776**
		Non-Current Assets	Property and Equipment	$82,345,297
			Intangible Assets	$246,912,504
			Other Assets	$0
			Investment in Subsidiary	$0
		Non-Current Assets		**$329,257,801**
	Assets			**$342,735,576**
Assets				**$342,735,576**

59. Property and equipment includes the network assets, furnishings and related equipment, office computer hardware/software, as well as the fixed assets located at Mobilicity's two corporate stores. The network assets comprise the bulk of the asset value in this category.

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

61. In addition to the foregoing, as at December 31, 2013, the Mobilicity Group had Canadian non-capital loss carry forwards amounting to approximately $566.9 million expiring between 2029 and 2032. There are significant tax losses at both the Wireless and Holdings level. Losses incurred after December 31, 2013 would create Canadian non-capital loss carry forwards in addition to the above amount.

Liabilities

62. According to the unaudited consolidated financial statements of Mobilicity, as at March 31, 2014 the liabilities of the Mobilicity Group were as follows:

Liabilities and Equity	Liabilities	Current Liabilities	Accounts Payable & Accrued Liabilities	($46,108,931)
			Deferred Revenue	($5,666,549)
			Loan Payable	($43,250,000)
		Current Liabilities		**($95,025,480)**
		Non-Current Liabilities	Long-Term Debt	($414,545,410)
		Non-Current Liabilities		**($414,545,410)**
	Liabilities			**($509,570,889)**
	Equity	Ordinary Shares	Ordinary Shares	($252,000,010)
		Ordinary Shares		**($252,000,010)**
		Other Reserves	Contributed Surplus	($12,830,209)
			Convertible Debenture Equity Component	($17,687,600)
			Senior Unsecured Debenture Equity Component	($46,846,480)
		Other Reserves		**($77,364,289)**
		Deficit	Deficit	$496,199,612
		Deficit		**$496,199,612**
	Equity			**$166,835,313**

63. The major categories of liability are the following:

(a) Accounts payable and accrued liabilities of $46.1 million. Approximately $24.1 million of this amount represents accrued interest on the First Lien Notes and the Second Lien Notes (both as described below). The remaining balance of approximately $22.0 million (the "**Operating Liabilities**"), all of which is owed by Wireless, consists of amounts owed to suppliers of goods and services to Wireless (principally the four major suppliers described above which collectively total $14 million), employee amounts (wages, benefits and vacation pay) accrued in the ordinary course, and amounts owed to taxation authorities that are not yet due in the ordinary course;

(b) First lien notes due April 29, 2018 (the "**First Lien Notes**"), were issued by a predecessor by amalgamation of Wireless, and have a principal balance owing of approximately $195 million. 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 First Lien Notes bear interest at a rate of 9.5% annually. Interest has not been paid on the First Lien Notes during this proceeding. According to the Applicants' unaudited financial records, as of March 31, 2014 the amount outstanding on the First Lien Notes (including accrued interest) was approximately $215.0 million. Holders of the First Lien Notes are referred to in this Report (and in the Plan) as the "**First Lien Noteholders**";

(c) Second lien notes due September 30, 2013 (the "**Second Lien Notes**"), issued by a predecessor by amalgamation of Wireless, and have a principal balance owing of $43.25 million. Holdings is a guarantor of the Second Lien Notes and each of Wireless and Holdings has delivered a General Security Agreement to secure the obligations thereunder. The obligations under the Second Lien Notes are fully and effectively subordinated and postponed to the full and final payment of all obligations under the First Lien Notes. The Second Lien Notes bear interest at a rate of 15.5% annually. Interest has not been paid on the Second Lien Notes during this proceeding. According to the Applicants' unaudited financial records, as of March 31, 2014 the amount outstanding on the Second Lien Notes (including accrued interest) was approximately $47.3 million. Pursuant to the Second Lien Note Purchase Agreement and the Plan, a Liquidity Payment in the amount of $7 million is payable to the Second Lien Lenders upon the occurrence of a sale of all or substantially all of the assets of the Applicants. Holders of the Second Lien Notes are referred to in this Report (and in the Plan) as the "**Second Lien Noteholders**";

(d) 15% Senior Unsecured Debentures due September 25, 2018 (the "**Unsecured Senior Notes**"), were issued by Holdings, and have a principal balance owing of $95.0 million. 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. According to the Applicants' unaudited financial records, as of March 31, 2014 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 March 31, 2014) was approximately $170.1 million. Holders of the Unsecured Senior Notes are referred to in this Report (and in the Plan) as the "**Unsecured Senior Noteholders**";

(e) 12% Convertible Notes (the "**Unsecured Pari Passu Notes**") due September 25, 2018, issued by Holdings to its shareholder QCP CW S.A.R.L. ("**Quadrangle**"), with a principal balance owing of $59.741 million. The Unsecured Pari Passu Notes rank *pari passu* with the Unsecured Senior Notes. Interest has not been paid on the Unsecured Pari Passu Notes during this proceeding. According to the Applicants' unaudited financial records, as of March 31, 2014 the amount outstanding on the Unsecured Pari Passu Notes (including accrued interest) was approximately $95.4 million. Holders of the Unsecured Pari Passu Notes are referred to in this Report (and in the Plan) as the "**Unsecured Pari Passu Noteholders**"; and

(f) 12% Convertible Notes (the "**Unsecured Subordinated Notes**") due September 25, 2018, issued by Holdings to Quadrangle, have a principal balance owing of $35.0 million. The Unsecured Subordinated Notes rank subordinate to the Unsecured Pari Passu Notes and the Unsecured Senior Notes. Interest has not been paid on the Unsecured Subordinated Notes during this proceeding. According to the Applicants' unaudited financial records, as of March 31, 2014 the amount outstanding on the Unsecured Subordinated Notes (including accrued interest) was approximately $41.7

million. Holders of the Unsecured Subordinated Notes are referred to in this Report (and in the Plan) as the "**Unsecured Subordinated Noteholders.**"

64. As of the date of this report, no amounts had been advanced by the lenders (the "**DIP Lenders**") under the DIP Facility approved by this Court. It is possible that as at the Plan Implementation Date (as defined below), amounts may be owing under the DIP Facility (collectively the "**DIP Amounts**") to the DIP Lenders. Pursuant to paragraph 53 of the Initial Order, DIP Amounts rank *pari passu* with amounts owing in respect of the Second Lien Notes.

65. In addition to the amounts noted above, The Catalyst Capital Group Inc. ("**Catalyst**"), the beneficial holder of approximately 30% of the First Lien Notes, takes the view that a make-whole payment in the amount of approximately $70.4 million is due and payable to the holders of First Lien Notes if those notes are repaid, whether within or outside of a restructuring proceeding (the "**Make-Whole**"). Mobilicity disputes that the Make-Whole is in fact payable, and the amount was not accrued in the unaudited consolidated financial statements of Mobilicity as at March 31, 2014. Pursuant to the Plan, the entire disputed amount of the Make-Whole will be held in escrow until such time as entitlement to same is settled or adjudicated by the Court.

OVERVIEW OF THE PLAN

Overview of the Plan

66. Mobilicity, in consultation with the Monitor, the DIP Lenders, and TELUS, has developed the Plan. The foundation of the Plan is the completion of an acquisition of control of the shares of Holdings by TELUS on the terms set out in the Plan (the "**TELUS Sale**"), and the only distributions to creditors contemplated under the Plan will be made from the proceeds received from the TELUS Sale. In the event the TELUS Sale does not close, the Plan will not be implemented. As described above, the conditions precedent to the implementation of the Plan include the receipt of all material regulatory consents or approvals required in connection with the Transaction, including, without limitation, Competition Act approval

and Industry Canada approval, on terms acceptable to TELUS.

67. Pursuant to the Plan,

(a) Four to seven Business Days prior to the Effective Date, the Applicants will deliver to the Purchaser and Goodmans LLP ("**Goodmans**"), counsel to the Ad Hoc Committee of Noteholders (the "**Ad Hoc Committee**", which has indicated that its members comprise approximately 95% of Unsecured Senior Noteholders) an estimate of Net Working Capital as at the Effective Date. The estimate will include any adjustments necessary to eliminate any effect on Net Working Capital resulting from actions of the Applicants that are not contemplated in their weekly cash flow forecasts and that have the effect of increasing the Net Working Capital, as described in further detail in section 4.1(b)**Error! Reference source not found.** of the Plan (as adjusted, the "**Estimated Net Working Capital**"). The Purchaser will have until the second Business Day prior to the Effective Date to notify the Applicants and Goodmans of any errors contained in the Estimated Net Working Capital Statement (acting in a commercially reasonable manner) and the Applicants will make any and all adjustments to the Estimated Net Working Capital Statement that the Applicants (following consultation with Goodmans) believe are necessary to rectify such errors. If the Estimated Net Working Capital is less than the Target Net Working Capital, then the Purchase Price shall be reduced, dollar for dollar, by an amount equal to the difference. If the Estimated Net Working Capital is greater than the Target Net Working Capital, then the Purchase Price shall be increased, dollar for dollar, by an amount equal to the difference;

(b) $335 million of the purchase consideration (as adjusted dollar-for-dollar for any differences between Estimated Net Working Capital and Target Net Working Capital, as set out above) will be paid by TELUS in cash in escrow to the Monitor, one business day before the date of the implementation of the Plan (the "**Plan Implementation Date**"), to be released by the Monitor on the Plan Implementation Date in accordance with the Plan (referred to below as the "**TELUS Initial Consideration**");

(c) The remaining $15 million (referred to below as the "**Working Capital Holdback Amount**") will be held by TELUS to permit the determination of the closing net working capital of Mobilicity. The post-Plan Implementation Date net working capital will initially be calculated by TELUS, the calculation will be reviewed by the Ad Hoc Committee and its counsel Goodmans, and any dispute to the calculation that is not resolved through discussion and negotiation between TELUS and Goodmans will be finally determined by the "**Independent Auditors**", an independent national firm of chartered professional accountants selected as described in the Plan;

(d) If the actual net working capital at the Plan Implementation Date is equal to or greater than the Estimated Net Working Capital, the purchase price will be increased dollar-for-dollar by the excess (if any) of the closing net working capital over the Estimated Net Working Capital, TELUS will pay additional consideration (the "**Net Working Capital Excess Adjustment**") equal to that excess (if any), the full amount of the Working Capital Holdback Amount will be released from escrow to Mobilicity, and the aggregate of the Net Working Capital Excess Adjustment (if any) and the Working Capital Holdback Amount will be distributed pursuant to the Plan;

(e) If the actual net working capital at the Plan Implementation Date is less than the Estimated Net Working Capital, the purchase price will be reduced dollar-for-dollar for the excess of the Estimated Net Working Capital over closing net working capital, to a maximum of the Working Capital Holdback Amount (the "**Net Working Capital Shortfall Adjustment**"). All or part of the Working Capital Holdback Amount will then be retained by TELUS to fund the Net Working Capital Shortfall Adjustment. The remaining balance, if any, of the Working Capital Holdback Amount after the release of the Net Working Capital Shortfall Adjustment to TELUS will be paid by TELUS to the Monitor for distribution pursuant to the Plan; and

(f) As described below, prior to the Plan Implementation Date the Applicants will provide the counterparties to certain contracts and agreements, specified by TELUS, with notice of the termination of such contracts or agreements in accordance with their terms. No liability in respect of the termination of such contracts or agreements will be taken into account in calculating closing net working capital.

68. In the description of the Plan below, the aggregate of (i) the Working Capital Holdback Amount, plus (ii) the Net Working Capital Excess Adjustment, if any, minus (iii) the Net Working Capital Shortfall Adjustment, if any, is referred to as the "**Subsequent Consideration.**" As more particularly described above, there may be no Subsequent Consideration depending on the calculation of the post-Plan Implementation Date net working capital.

Treatment of Creditors

69. The creditors of the Applicants will be treated as follows:

(a) The principal and interest owed to holders of the First Lien Notes as at the Plan Implementation Date (the "**First Lien Note Payment Amount**") will be paid in full at the Plan Implementation Date from the Initial Consideration, subject to the escrow arrangements described in the immediately following sub-paragraph;

(b) An amount of $71.0 million, representing the approximate maximum amount of the Make-Whole asserted by Catalyst (if it were payable), will be paid from the Initial Consideration at the Plan Implementation Date to the Monitor, to be held in escrow by the Monitor (the "**First Lien Holdback Amount**") pending the settlement or final adjudication of each First Lien Noteholder's entitlement to the Make-Whole. Under the Plan, all claims of the First Lien Noteholders will be settled, extinguished, released and discharged, and any security provided in respect thereof will be released, through the combination of (i) payment of the First Lien Note Payment Amount, and (ii) the establishment of the First Lien Holdback Amount. For purposes of the Plan and this Report, the excess (if any) of the First Lien Holdback Amount over the Make-Whole as finally settled or adjudicated is referred to as the "**Released Payment Amount**";

(c) The amounts incurred on or prior to the Effective Date but not yet paid and which are secured by the Charges defined in the Initial Order, other than the DIP Charge (the

"**Charge Amounts**") will be fully and finally paid at or after the Plan Implementation Date from the Initial Consideration in exchange for the settlement, extinguishment and release of all such Charge Amounts and Charges. The Monitor anticipates that to the extent Charge Amounts are not known with precision at the Plan Implementation Date, it may be necessary for the Monitor to estimate and hold back funds sufficient to discharge the Charge Amounts pending the final determination of those amounts. This approach will allow other distributions under the Plan to be made, at least in part, while such final distributions are made. Charge Amounts are expected to include aggregate success fees of approximately $7.6 million payable to the Financial Advisors and the CRO, under their terms of their respective engagement agreements, that are secured by the Administration Charge;

(d) All claims of the DIP Lenders, if any, will be settled, extinguished, released and discharged by the payment in full, from the Initial Consideration at the Plan Implementation Date, of all DIP Amounts then owing. The payment of the DIP Amounts will serve to settle, extinguish, release and discharge all claims of the DIP Lenders against the Applicants and any security provided in respect thereof;

(e) All claims of holders of the Operating Liabilities (other than the Released Claims, as discussed below) will remain liabilities of Wireless, which will become an indirect subsidiary of TELUS through the acquisition of control of the Holdings shares pursuant to the TELUS Sale. Under the Plan, prior to the Plan Implementation Date, TELUS will provide to the Applicants a list of contracts and agreements of the Applicants, and prior to the Plan Implementation Date, the Applicants will give notice to the counterparties of those contracts or agreements that the contracts will be terminated in accordance with their terms. The liabilities, if any, resulting from those terminations will remain liabilities of Wireless, but will not be taken into account in calculating closing net working capital;

(f) The Second Lien Noteholders will receive one or more distributions equal to (i) the remaining balance of the Initial Consideration after the distributions indicated in (a) through (d) above, plus (ii) all or part of the Subsequent Consideration, plus (iii) all or part of the Released Payment Amount, to an aggregate maximum of all amounts owing in respect of the Second Lien Notes in accordance with the provisions of the Second Lien Note Purchase Agreement, including the Liquidity Payment (the "**Second Lien Note Amount**"). Under the Plan, on the closing of the TELUS Sale all claims of the Second Lien Noteholders against the Applicants and any security provided in respect thereof will be settled, extinguished, released and discharged, other than the rights of the Second Lien Noteholders to receive their respective proportions of the Second Lien Note Amount;

(g) The Trustee Claims, the Unaffected Restructuring Claims (discussed below) and the Mobilicity Transaction Fees (defined under the Plan to be, in essence, professional fees incurred by the Applicants, or by securityholders of the Applicants that the Applicants have agreed to pay or reimburse, to the extent such amounts are not Charge Amounts) shall be paid by the Monitor, from any funds remaining after the payment in full of the Second Lien Note Amount, in accordance with the terms of the Trust and Escrow Order. It is not expected that any of the amounts in this sub-paragraph (g) will be significant;

(h) The Unsecured Senior Noteholders, the Unsecured Pari Passu Noteholders, and the holders of Restructuring Claims, if any, (discussed below) will share in an amount (referred to in the Plan as the "**Unsecured Senior Noteholder/Unsecured Pari Passu Noteholder/Restructuring Claim Holder Payment Consideration**") equal to the sum of the Initial Consideration, the Subsequent Consideration and the Released Payment Amount, after deducting the sum of (i) the amounts distributed to the First Lien Noteholders, (ii) the Charge Amount, (iii) the amounts distributed to the DIP Lenders, (iv) the amounts distributed to the Second Lien Noteholders, and (v) the amounts distributed in respect of the Trustee Claims, the Unaffected Restructuring Claims and the Mobilicity Transaction Fees. The Unsecured Senior Noteholder/Unsecured Pari Passu Noteholder/Restructuring Claim Holder Payment Consideration shall be allocated *pari passu* (as defined in the Plan) to each holder of Unsecured Senior Notes, each holder of Unsecured Pari Passu Notes, and

Restructuring Claim Holder. Under the Plan, on the closing of the TELUS Sale all claims of the Unsecured Senior Noteholders, the Unsecured Pari Passu Noteholders and the Restructuring Claim Holders against the Applicants will be settled, extinguished, released and discharged, other than the rights of the Unsecured Senior Noteholders, the Unsecured Pari Passu Noteholders and the Unsecured Claim Holders to receive their respective proportions of the Unsecured Senior Noteholder/Unsecured Pari Passu Noteholder/Restructuring Claim Holder Payment Consideration;

(i) The Unsecured Subordinated Notes will be cancelled and all claims of the Unsecured Subordinated Noteholders against the Applicants will be settled, extinguished, released and discharged; and

(j) All Equity Claims (as defined in section 2(1) of the CCAA) will be cancelled.

70. The Monitor is of the view that the proposed treatment set out above is fair and equitable. The Monitor notes in particular that:

(a) The distribution (or escrow, in the case of the First Lien Holdback Amount in respect of the Make-Whole) of funds is in accordance with the respective priorities of the holders of the various claims; and

(b) As set out above, the Sale Process did not result in any transaction or potential transaction that would provide higher gross proceeds than the TELUS Sale. Proceeds from the TELUS Sale, distributed to stakeholders in accordance with their respective priorities, would be insufficient to allow any distribution to the Unsecured Subordinated Noteholders or to the Existing Equity Holders. Consequently, in the view of the Monitor it is not prejudicial to the Unsecured Subordinated Noteholders or to the Existing Equity Holders (defined in the Plan to mean, collectively, registered or beneficial holders of shares, options or other Equity Claims, as defined in section 2(1) of the CCAA, of the Applicants) that those securities will be cancelled without their holders receiving any distribution.

Clarification of Treatment of Restructuring Claims

71. "**Restructuring Claim**" under the Plan is defined to mean, in essence, any valid and proven claim against one or more of the Applicants arising out of the restructuring, disclaimer, resiliation or termination by one or more of the Applicants on or after the Filing Date of any contract, lease or other agreement whether written or oral. As at the date of this Report, only one agreement (a property lease for a small kiosk location in a mall in Calgary, Alberta) has been disclaimed by the Applicants. The quantum of the resulting Restructuring Claim is expected to be nominal.

72. The Plan specifies that a Restructuring Claim may not be compromised under the Plan without the consent of the CRO and the Monitor. If the Restructuring Claim is not compromised, it is considered an "**Unaffected Restructuring Claim**" and will be paid as contemplated in subparagraph 70(g) above. If a Restructuring Claim is compromised, the Restructuring Claim Holder will rank *pari passu* with the Unsecured Senior Noteholders and the Unsecured Pari Passu Noteholders, as described in subparagraph 70(h) above.

Custody and Payment of Funds

73. The terms under which funds, including the Holdback Escrow, will be held and distributed by the Monitor as contemplated in the Plan, will be specified in a further Order of this Court (the "**Trust and Escrow Order**") in form and substance satisfactory to the Monitor, the Applicants, the Purchaser and the Consenting Noteholders, each acting reasonably. Approval of the form of the Trust and Escrow Order will be sought in a subsequent application to the Court before the implementation of the Plan.

Releases

74. The Plan also contemplates the following broad-based releases:

(a) Pursuant to section 6.1 of the Plan, on the Plan Implementation Date, all Mobilicity Released Parties (defined in the Plan to mean, collectively, the Applicants and their respective predecessors, successors, subsidiaries and affiliates and their respective present and former officers, directors, employees, auditor, shareholders, financial advisors, legal counsel, agents, the New Board, the Monitor and its legal counsel, and the chief restructuring officer of the Applicants) will be released from the Released Claims (as defined in the Plan) that are referenced in the Plan, other than (i) the rights of the First Lien Noteholders in respect of the Holdback Escrow under section 6.4 of the Plan, and (ii) obligations of the Mobilicity Released Parties under the Plan, any Support Agreement, or under any Order;

(b) Pursuant to section 6.1 of the Plan, on the Plan Implementation Date, all Purchaser Released Parties (defined in the Plan to mean, collectively, TELUS Corporation and its successors, subsidiaries and affiliates and their respective present and former officers, directors, employees, auditor, financial advisors, legal counsel and agents) will be released from the Released Claims that are referenced in the Plan other than the obligations of the Purchaser Released Parties under the Plan, any Support Agreement, or under any Order; and

(c) Pursuant to section 6.2 of the Plan, on the Plan Implementation Date, all Securityholders' Released Parties (defined in the Plan to mean, collectively, the First Lien Note Indenture Trustee, the First Lien Noteholders, the Second Lien Noteholders, the collateral agent under the Second Lien Note Purchase Agreement, the DIP Lenders, the collateral agent under the DIP Agreement, the Unsecured Senior Note Indenture Trustee, the Unsecured Senior Noteholders, the Unsecured Pari Passu Noteholders, the Unsecured Subordinated Noteholders, the Existing Equity Holders, and their respective subsidiaries and affiliates, officers, directors, employees, financial advisors and legal counsel (including legal counsel to the Ad Hoc Committee of Noteholders and the DIP Lenders)) will be released from the Released Claims that are referenced in the Plan other than (i) the rights of the First Lien Noteholders in respect of the First Lien Holdback Amount under section 6.4 of the Plan, and (ii) obligations of the Securityholders' Released Parties under the Plan, any Support Agreement, or under any Order.

75. The Plan contemplates the compromise and release of the following claims ("collectively, "**Affected Claims**"):

(a) All claims in respect of the Unsecured Senior Notes;

(b) All claims in respect of the Unsecured Pari Passu Notes;

(c) All Restructuring Claims that the CRO and the Monitor consent to be compromised;

(d) All claims in respect of the Unsecured Subordinated Notes; and

(e) All claims of Existing Equity Holders in their capacity as such.

76. Holders of all other claims in respect of the Applicants are considered holders of "**Unaffected Claims**", including for greater certainty:

(a) Government Priority Claims;

(b) Employee Priority Claims;

(c) Any other claim of any employee, former employee, director or officer of any of the Applicants in respect of wages, vacation pay, bonuses, termination pay, severance pay or other remuneration payable to such person by any of the Applicants, other than any termination pay or severance pay payable by the Applicants to a person who ceased to be an employee, director or officer of any of the Applicants prior to the date of an order of this Court sanctioning the Plan (the "**Sanction Order**");

(d) First Lien Noteholder Claims (as defined in the Plan);

(e) Charge Amounts;

(f) Claims of the DIP Lenders and the collateral agent under the DIP Agreement;

(g) Claims of the Second Lien Noteholders and the collateral agent under the Second Lien Note Purchase Agreement;

(h) Trustee Claims (defined in the Plan to mean any rights of the trustees or collateral agents of the funded debt of the Applicants for compensation, fees, expenses, disbursements or advances, including reasonable legal fees and expenses, inbefore or after the Effective Date in connection with the performance of their respective duties);

(i) Unaffected Restructuring Claims; and

(j) any trade payables that were incurred by the Applicants.

PROJECTED DISTRIBUTIONS UNDER PLAN

77. In Appendix "**G**", the Monitor has provided an illustrative estimate of potential distributions to holders of Affected Claims assuming the TELUS Sale is completed through implementation of the Plan.

78. Appendix "**G**" estimates distributions to stakeholders, by category, under the assumptions set out below. In the Monitor's view these assumptions collectively represent a "best case" scenario for stakeholder recovery:

(a) Estimated Net Working Capital and actual net working capital at the Plan Implementation Date are both equal to negative $22.0 million, meaning that there is no adjustment to the purchase price in the TELUS Sale and the full $15.0 million of the Working Capital Holdback Amount is released to the Applicants for distribution pursuant to the Plan;

(b) No amount is ultimately payable to the First Lien Noteholders in respect of the Make-Whole, meaning that the full amount of the First Lien Holdback Amount is released to the Applicants and is ultimately distributed to the holders of Affected Claims; and

(c) No issues arise during Plan implementation that requires extensive involvement by the Monitor, its counsel or the other professionals whose fees and disbursements are subject to the Administration Charge.

79. Under the above assumptions, as reflected in Appendix "**G**", the Unsecured Senior Noteholders, the Unsecured Pari Passu Noteholders and the Restructuring Claim Holders are each estimated to receive distributions equal to approximately 27.3% of outstanding principal and interest.

80. As discussed above, trade payables and amounts owed to employees will remain liabilities of Wireless, which will become an indirect subsidiary of TELUS on the Plan Implementation Date. As such, holders of these claims will not receive a distribution from the TELUS Sale proceeds and are not reflected in Appendix "**G**".

81. Distributions reflected in Appendix "**G**" have been estimated using principal and accrued interest liabilities reflected in the unaudited financial statements of the Applicants as at March 31, 2014. Actual distributions will differ from those set out in Appendix "**G**" due to the continued accrual of interest on the various funded debt instruments.

82. Based on the above assumptions, Appendix "**G**" estimates that, after payment in full of the principal, interest and Liquidity Payment owing in respect of the Second Lien Notes, approximately $72.4 million will be available for distribution to the Unsecured Senior Noteholders, the Unsecured Pari Passu Noteholders and holders of Restructuring Claims, if any. The actual funds available for distribution to the Unsecured Senior Noteholders, the Unsecured Pari Passu Noteholders and holders of Restructuring Claims, if any, will be affected by the ultimate outcome of a number of factors, including (i) the amount, if any, ultimately paid to the First Lien Noteholders in respect of the Make-Whole, (ii) the actual net working capital at the Plan Implementation Date, and (iii) the final Charge Amounts, particularly the professional fees incurred in connection with the approval and implementation of the Plan. The Monitor is not currently in a position to estimate the eventual outcome of any of the foregoing matters, but notes that the aggregate amount potentially at issue exceeds $80 million and could therefore eliminate significant recovery to the Unsecured Senior Noteholders, the Unsecured Pari Passu Noteholders, holders of Restructuring Claims, if any and possibly the Second Lien Noteholders.

ALTERNATIVES TO THE PLAN

83. If the Plan is not implemented, there are likely limited options available to the Applicants due to Mobilicity's ongoing operating losses, the consequent requirement for additional funding to continue in operation as a going concern, and the absence of acceptable alternate transactions resulting from the Sales Process. Taking these factors into account, the Monitor is of the view that any alternative advanced by Mobilicity other than the TELUS Sale (i) would result in substantially lower distributions, and/or substantially higher risk, to the Applicants' existing creditors generally than the implementation of the Plan, and (ii) could have a significant negative impact on other potentially affected parties such as Mobilicity's employees, dealers and subscribers.

MONITOR'S CONCLUSIONS ON FAIRNESS AND REASONABILITY OF THE PLAN

84. The Monitor is of the view, as indicated above, that the TELUS Transaction that would be implemented under the Plan is unequivocally the most advantageous sale transaction available for the Mobilicity stakeholders generally.

85. The Monitor is also of the view that the alternatives to implementation of the Plan would result in substantially lower distributions, and/or substantially higher risk, to the Applicants' stakeholders generally than those that would be available through implementation of the Plan.

86. The treatment of the various stakeholders under the Plan is consistent with their respective statutory and contractual priorities.

87. It is therefore the Monitor's conclusion that the Plan is fair and reasonable.

CREDITORS' MEETING NOTICE AND PROCEDURE

Context

88. As set out in the summary of the Plan provided above, the holders of Affected Claims under the Plan consist of:

    (a) All claims in respect of the Unsecured Senior Notes;

    (b) All claims in respect of the Unsecured Pari Passu Notes;

    (c) All Restructuring Claims that the CRO and the Monitor consent to be compromised;

    (d) All claims in respect of the Unsecured Subordinated Notes; and

    (e) All claims of Existing Equity Holders

89. The aggregate principal and interest owed by the Applicants in respect of the Unsecured Senior Notes is known. The trustee for the Unsecured Senior Notes is Equity Financial Trust Company (the "**Unsecured Senior Note Trustee**"), which is represented by counsel in these proceedings. A list of registered holders of the Unsecured Senior Notes provided to the Applicants by the Unsecured Senior Note Trustee indicates that effective April 14, 2014 approximately 28% of the Unsecured Senior Notes were held through CDS Clearing and Depository Services Inc. ("**CDS**") and the remaining 72% were held by 13 other registered holders. Goodmans, counsel to the Ad Hoc Committee, has indicated that the members of the Ad Hoc Committee comprise approximately 95% of Unsecured Senior Noteholders. The Monitor understands that Goodmans is in the process of compiling supporting documentation to confirm these holdings to the satisfaction of the Monitor.

90. The aggregate principal and interest owed by the Applicants in respect of the Unsecured Pari Passu Notes and the Unsecured Subordinated Notes is known. At the date of this Report, it is the Monitor's understanding that the Unsecured Pari Passu Notes are owned entirely by Quadrangle, which is represented by counsel in these proceedings.

91. As indicated above, at the date of this Report there was a single Restructuring Claim, the value of which was expected to be nominal.

92. In view of the above, and considering the urgency imposed by the Applicants' continuing negative cash flow, the Monitor is of the view that an expedited notice/meeting process is appropriate in the circumstances and can be effected while maintaining the integrity of the CCAA voting process.

93. The Applicants, in consultation with the Monitor, have prepared a proposed order for the notice, conduct and administration of the Meeting (the "**Meeting Order**"). The Applicants are seeking to have the Meeting Order approved by this Court.

Creditors' Meeting Time and Place

94. Pursuant to the Meeting Order, the Applicants will be authorized, and directed to call, hold and conduct a meeting (the "**Meeting**") to consider and vote on the Plan. The Meeting is proposed to be held at 9 a.m. (Toronto time) (the "**Meeting Date**") on April 30, 2014 at the offices of Norton Rose Fulbright Canada LLP, Suite 3800, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario, M5J 2Z4, or as adjourned to such places and times as the Chair may determine, for the purposes of considering and voting on the Plan and transacting such other business as may be properly brought before the Meeting

Notice

95. To provide additional notice to the Unsecured Senior Noteholders who are not currently represented in this Proceeding, and to increase the effectiveness of the notice process contemplated under the Meeting Order, the Monitor has taken the following steps (the "**Advance Notice Steps**"):

    (a) The Monitor and the Applicants have had discussions with the Unsecured Senior Note Trustee to clarify the nature and timing of the methods by which information can be provided to the parties with a beneficial economic interest in the Unsecured Senior Notes (the "**Beneficial Noteholders**"). Based on those discussions, it is the Monitor's understanding that:

i. A single comprehensive list of Beneficial Noteholders is not available. The Trustee only has access to a list of registered holders. CDS, which is a registered holder, holds the securities on behalf of participant institutions, who may themselves be Beneficial Noteholders or may hold title to the securities on behalf of Beneficial Noteholders. Other parties listed as registered holders may themselves be Beneficial Noteholders or may hold title to the securities on behalf of Beneficial Noteholders;

ii. It is possible for a specialist investor communications firm (referred to in the Meeting Order as the "**Communications Agent**") to communicate with the CDS participant institutions and those registered holders of Unsecured Senior Notes participating outside the CDS system to obtain a list (the "**Search List**") of Beneficial Noteholders as at a particular date. The details of the Beneficial Noteholders comprising the Search List is kept confidential by the Communications Agent but the Communications Agent can provide summary information about the Search List, such as the number and dollar value of Beneficial Noteholders, to the Applicants and the Monitor; and

iii. Once a Search List has been obtained, the Communications Agent can provide information within days to the Beneficial Noteholders on the Search List. The Communications provides such information in printed form, and an additional day is required to provide the information if it is voluminous;

(b) The Monitor has requested that the Senior Unsecured Note Trustee, through the Communications Agent, initiate a Search List as at April 15, 2014 (the "**Voting Record Date**"). The Search List was received by the Monitor and the Applicants on April 21, 2014;

(c) The Monitor has provided a bulletin to the Senior Unsecured Note Trustee, for communication to CDS and its participant institutions, indicating the Applicants' intention to seek Court approval to hold a creditors' meeting in the near term. A copy of the bulletin is attached to this Report as Appendix "**H**". The Monitor understands that it will be at the discretion of the participant institutions whether, and to what extent, they communicate the bulletin to their Beneficial Noteholders; and

(c) The Monitor has couriered copies of the bulletin to the other 13 registered holders of the Senior Unsecured Notes on the list provided by the Unsecured Senior Note Trustee, with an explanatory covering letter requesting that they provide copies of the bulletin to any Beneficial Noteholders on whose behalf they hold the Senior Unsecured Notes.

96. The Meeting Order directs the Monitor to:

(a) Send a copy of the Meeting Order to the persons on the service list established in these CCAA proceedings and post an electronic copy of the Meeting Order and Meeting Materials and any amendments on the Monitor's Website;

(b) Send a copy of the Meeting Materials (as defined and approved in the Meeting Order) to any Affected Unsecured Creditor who makes a request in writing for such materials no later than 2 days prior to the date of the Meeting;

(c) Send a copy of the Meeting Materials (without the Beneficial Noteholder Proxy) to each holder of a Restructuring Claim at the last known address set out for such holder shown on the records of the Applicants (or in any other written notice that has been received by the Monitor in advance of such date regarding a change of address for such holder);

(d) Send a copy of the Notice of Meeting (which, in addition to giving notice of the Meeting, also provides the website address from which the Meeting Materials may be downloaded) to be delivered by express mail to,

i. all Beneficial Noteholders as at the Voting Record Date as reflected on the Search List;

ii. counsel to the Ad Hoc Committee (the Ad Hoc Committee is also referred to in the Meeting Order as the "**Consenting Noteholders**");

iii. counsel to Quadrangle; and

iv. any Registered Noteholder in respect of Unsecured Senior Notes held outside of the CDS participant holding system;

97. In addition, the Meeting Order directs that upon the issuance of the Meeting Order, the Applicants shall issue a press release announcing the issuance of the Meeting Order and providing notice of the Meeting.

98. The Monitor is of the view that the Notice of Meeting procedure outlined above, along with the press release to be issued by the Applicants and the Advance Notice Steps as described in this Sixth Report constitute good and sufficient notice of the Meeting to all Persons who may be entitled to receive notice and who may wish to be present in person or by proxy at the Meeting in these proceedings, and that as a result no other form of notice or material need be delivered on such Persons in respect of these proceedings.

<u>Procedure for Creditors' Meeting</u>

99. A representative of the Monitor will act as the chair of the Meeting (the "**Chair**") and decide all matters relating to the rules, procedures and conduct of the Meeting in accordance with the terms of the Plan, the Meeting Order and any further Order of this Court. The Chair may adjourn the Meeting at the Chair's discretion, after consultation with the Applicants and counsel to the Consenting Noteholders.

100. The Monitor may appoint scrutineers (the "**Scrutineers**") for the supervision and tabulation of the attendance, quorum, and votes cast at the Meeting. A Person or Persons designated by the Monitor shall act as secretary (the "**Secretary**") at the Meeting and shall tabulate all votes cast at the Meeting

101. The only persons entitled to attend the Meeting are the Affected Unsecured Creditors (as defined below) or their respective proxy holders, representatives of the Applicants, the Monitor, the Trustee, the legal counsel of any of the foregoing, counsel to the Consenting

Noteholders, the Chair, Scrutineers and the Secretary. Any other Person may be admitted to the Meeting only by invitation of the Applicants or the Chair.

102. An Affected Unsecured Creditor that is not an individual may only attend and vote at the Meeting if it has appointed a proxyholder to attend and act on its behalf at the Meeting;

103. The quorum required for the Meeting shall be the presence of two Affected Unsecured Creditors or their counsel either in person or by proxy. If the requisite quorum is not present at the Meeting, or the Meeting is postponed by vote of the requisite majority of creditors at the Meeting, then the Meeting shall be adjourned by the Chair to a date thereafter and to such time and place as may be appointed by the Chair. Neither the Applicants nor the Monitor will be required to deliver any notice of the adjournment of the Meeting other than announcing the adjournment at the Meeting or posting notice at the originally designated time and location of the Meeting or adjourned Meeting, posting the adjournment on the Monitor's Website and providing written notice to the Service List.

Voting at the Creditors' Meeting

104. The only Persons entitled to vote at the Meeting, in person or by proxy (referred to collectively as the "**Affected Unsecured Creditors**"), are:

a) the Beneficial Noteholders at the Voting Record Date (or any validly appointed holder of such Beneficial Noteholder's proxy);

b) registered holders of Unsecured Pari Passu Notes and Unsecured Subordinated Notes as at the Voting Record Date; and

c) any holders of Restructuring Voting Claims.

105. Each Beneficial Noteholder shall each be entitled to one vote, which vote shall have a value equal to the principal and accrued interest owing under the Unsecured Senior Notes beneficially owned by such Beneficial Noteholder as at the Voting Record Date.

106. Each registered holder of Unsecured Pari Passu Notes shall be entitled to one vote, which vote shall have a value equal to the principal and accrued interest owing under the Unsecured Pari Passu Notes owned by such registered holder as at the Voting Record Date.

107. Each holder of a Restructuring Claim shall be entitled to one vote, which vote shall have a value equal to such holder's Voting Claim as determined by the Monitor.

108. Each registered holder of Unsecured Subordinated Notes shall each be entitled to one vote, which vote shall have a value equal to the principal and accrued interest owing under the Unsecured Subordinated Notes owned by such registered holder as at the Voting Record Date.

109. For the purpose of calculating the majority in number of Affected Unsecured Creditors voting on the Plan, each individual Affected Unsecured Creditor that votes on the Plan (in person or by proxy) shall only be counted once, without duplication, even if that Beneficial Noteholder beneficially holds Unsecured Senior Notes through more than one Registered Noteholder or Holder of Record (as defined in the Meeting Order).

110. If an Affected Unsecured Creditor that transfers or assigns an Affected Claim for voting purposes to another Person, such transferee or assignee shall not be entitled to attend and vote the transferred or assigned Affected Claim for voting purposes at the Meeting unless and until actual notice of the transfer or assignment, together with satisfactory evidence of such transfer or assignment, has been received by the Applicants no later than 10:30 a.m. on the second Business Day before the Meeting (or any adjournment thereof).

111. Questions submitted to the Meeting, except to approve the Plan or an adjournment of the Meeting, will be decided by a majority of votes given on a show of hands or if by confidential written ballot, at the discretion of the Chair, by a simple majority in number of the Affected Unsecured Creditors voting at the Meeting.

Proxies

112. All proxies submitted in respect of the Meeting (or any adjournment thereof) must be (a) submitted to the Monitor on or before 5:00 p.m. (Toronto time) on the second Business

Day before the Meeting; and (b) in substantially the form attached to the Meeting Order as either **Schedule "B"** or **Schedule "C"**, or in such other form acceptable to the Monitor or the Chair.

113. Each Beneficial Noteholder who wishes to vote at the Meeting must execute the Beneficial Noteholder Proxy and return it the Monitor at or before 5:00 p.m. (Toronto time) on the second Business Day before the Meeting and must:

    (a) On the Beneficial Noteholder Proxy, clearly state the name and contain the signature of the applicable Beneficial Noteholder, the applicable account number or numbers of the account or accounts maintained by such Beneficial Noteholder with its Holder of Record (if applicable) and the principal amount of Unsecured Senior Notes held as at the Voting Record Date; and

    (b) The Beneficial Noteholder Proxy must be duly completed and executed by the applicable Beneficial Noteholder's Holder of Record, in accordance with the instructions set out in the Beneficial Noteholder Proxy, verifying that the amounts indicated on the Beneficial Noteholder's Beneficial Noteholder Proxy are restricted to the amounts in fact held as at the Voting Record Date by that Beneficial Noteholder with such Holder of Record (either directly or through an agent or custodian), or must otherwise provide such other evidence as may be satisfactory to the Monitor that the amounts so indicated are so restricted.

114. Holders of Unsecured Pari Passu Notes, Unsecured Subordinated Notes and Restructuring Voting Claims who wish to vote at the Meeting shall execute an Affected Unsecured Creditor Proxy and return it the Monitor at or before 5:00 p.m. (Toronto time) on the second Business Day before the Meeting.

<u>Monitor's Reporting of Votes</u>

115. The Meeting Order provides that following the vote at the Meeting, the Monitor will tally the votes cast and determine whether the Plan has been approved by the majorities of

Affected Unsecured Creditors required pursuant to section 6 of the CCAA (the "**Required Majorities**").

116. The Meeting Order provides that the result of any vote at the Meeting will be binding on all Affected Unsecured Creditors, whether or not, in each case, the Affected Unsecured Creditor is present at the Meeting or voted on the resolution to approve the Plan.

117. The Meeting Order further provides that the Monitor shall file its report to this Court by no later than two Business Days after the date of the Meeting at which the vote on the Plan occurred with respect to the results of the votes cast, including whether the Plan has been accepted by the Required Majorities of Affected Unsecured Creditors.

Sanction Hearing

118. The Meeting Order specifies that if the Plan is approved by the Required Majorities, the Applicants may seek Court approval of the Plan at a motion for the Sanction Order which motion shall be returnable before this Court at such time and on such date, not less than two Business Days following the Meeting, as may be posted on the Monitor's Website and notice thereof has been provided to the Service List (the "**Sanction Hearing Date**"), or as soon after that date as the matter can be heard (the "**Sanction Hearing**"). The Meeting Order requires that any party who wishes to oppose the motion for the Sanction Order shall serve materials, setting out the basis of such opposition, on the lawyers for the Applicants and the Monitor, and on all other parties on the Service List, not later than 5:00 p.m. (Toronto time) on the fifth day after notice of the Sanction Hearing Date is given.

119. The Meeting Order further specifies that hearing of any motion for a determination on whether Section 11.3 of the CCAA is applicable with respect to the Federal Crown and its agencies and in the affirmative, assigning and transferring the rights and obligations of the Applicants under the spectrum licences described above pursuant to Section 11.3 of the CCAA and declaring that the Mobilicity Spectrum Licences and the Purchaser's rights and obligations thereunder cannot be cancelled, revoked or otherwise restricted as a result of such assignment and transfer (the "**Sale Transaction 11.3 Order**") shall take place on the Sanction Hearing Date, concurrently with the Sanction Hearing (the "**Sale Transaction**

11.3 Hearing") and that service of the Applicants' or any responding party's materials in respect of the motion for the Sale Transaction 11.3 Order shall be effected in accordance with the Order of the Court issued on January 22, 2014.

Monitor's Discretion to Amend Timing

120. The Meeting Order specifies that the Monitor may, in its discretion, generally or in individual circumstances, waive in writing the time limits imposed thereunder if the Monitor, in consultation with the Applicants and counsel to the Consenting Noteholders deems it advisable to do so, without prejudice to the requirement that all other Affected Unsecured Creditors must comply with the Meeting Order.

ACTUAL RECEIPTS AND DISBURSEMENTS

121. The Applicants, with the assistance of the Monitor, have prepared a consolidated summary of their actual receipts and disbursements as compared to the cash flow projection included as Appendix C to the Fifth Report of the Monitor dated March 18, 2014 (the "**March Cash Flow Statement**"). A summary of the actual receipts and disbursements for the five-week period ended April 11, 2014, as compared to the projections in the March Cash Flow Statement, is attached as Appendix "**I**" to this Report. As indicated in further detail in Appendix "**I**", actual net cash flow for the five-week period ended April 11, 2014 was approximately $3.0 million higher than projected in the March Cash Flow Statement due to a $0.4 million positive variance in receipts and a $2.6 million positive variance in disbursements. As a result, as shown in Appendix "**I**", the Applicants have not yet needed to draw upon the DIP loan (reflected in the March Cash Flow Statement as "Incremental Funding") that was approved by this Court in the Initial Order.

APPLICANTS' UPDATED CASH FLOW STATEMENT

Summary of Cash Flow Statement

122. The Applicants, with the assistance of the Monitor, have prepared an updated 13 week cash flow projection (the "**Cash Flow Statement**") for the period from April 5, 2014 to July 4, 2014 (the "**Cash Flow Period**") for the purposes of projecting the estimated results of the Applicants' planned operating and other activities during the Cash Flow Period. A copy of the Cash Flow Statement is attached as Appendix "**J**" hereto.

123. The Cash Flow Statement is presented on a weekly basis during the Cash Flow Period and represents the estimates of Management of the Applicants' projected cash flow during the Cash Flow Period. The Cash Flow Statement has been prepared by Management 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**").

124. At this time, assuming Mobilicity continues operations in substantially the same manner as it has done during the CCAA proceedings to date, the Cash Flow Statement estimates that during the Cash Flow Period the Applicants will have total receipts from operations of approximately $15.8 million and total disbursements of approximately $22.0 million, resulted in a projected net cash outflow from operations of $6.3 million.

Liquidity and DIP Agreement

125. The Applicants seek an extension of the stay period to June 30, 2014 (the "**Proposed Stay Extension Date**"). Including the cash balance of $2.0 million reflected in the Cash Flow Statement, the Applicants are projected to have sufficient liquidity to fund operations, and to pay the costs of this Proceeding, to the Proposed Stay Extension Date without the receipt of any incremental funding from the DIP Lenders or any other party.

126. The Fifth Report of the Monitor dated March 18, 2014 described the agreement between the Applicants and the DIP Lenders to extend the DIP agreement to April 30, 2014. The maturity date of the DIP agreement has currently been extended to May 31, 2014. The

Monitor understands that certain conditions precedent to any advances under the extended DIP agreement have not yet been met.

127. Assuming Mobilicity continues operations in substantially the same manner as it has done during the CCAA proceedings to date, in order to achieve a projected cash balance at or above $2.0 million throughout the Cash Flow Period the Applicants are projected to require incremental funding of approximately $2.0 million during the Cash Flow Period. The first requirement for incremental funding is projected to arise in the week ending July 4, 2014. The Applicants do not currently have contractual arrangements in place for this projected incremental funding.

Amdocs Motion Amounts

128. On February 7, 2014, Amdocs filed a motion seeking an order from this Court that Mobilicity pay Amdocs approximately $1.7 million (the "**Amdocs Motion Amounts**"). The motion was originally returnable February 26, 2014, but its hearing has subsequently been adjourned to a date to be determined. The Applicants are opposing the Amdocs motion.

129. The Cash Flow Statement assumes that no payments on account of the Amdocs Motion Amounts are made to Amdocs during the Cash Flow Period.

Monitor's Review of Cash Flow Statement

130. Section 23(1)(b) of the CCAA 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 "**K**".

131. Pursuant to this standard, the Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions 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 Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support provided by Management for the Probable and Hypothetical Assumptions and the preparation and presentation of the Cash Flow Statement.

132. As required by the Initial Order the four key service providers for outsourced operations that represent key business process functions, including network building and maintenance, call centre operations, handset logistics and distribution, and billing systems, have continued to provide services to the Applicants under their respective service agreements, as modified (as to credit and other business terms) through negotiation between the key service providers and the Applicants. One of the fundamental assumptions in the Cash Flow Statement is that each of the four key service providers will continue to provide post-filing services to the Applicants pursuant to its respective service agreement, as modified. The Cash Flow Statement reflects disbursements pursuant to those modified terms.

133. In addition, the Cash Flow Statement assumes that Mobilicity does not complete any transaction(s) pursuant to the Sale Process during the Cash Flow Period. At present neither the Applicants nor the Monitor can accurately predict the timing or quantum of any transaction(s) pursuant to the Sale Process, and consequently there is currently no certainty that actual events will follow this assumption.

134. The projected fees and expenses of the restructuring professionals including counsel to Mobilicity, counsel to the DIP Lenders, the Monitor, and the Monitor's counsel have been estimated based on actual activity levels since the date of the Initial Order and the expected activity levels of those professionals in connection with the Sale Process. Projected fees and expenses assume that there is no significant litigation in these Proceedings, in respect of the Sale Process or any other matter, during the Cash Flow Period.

135. Based on the 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.

136. 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 Monitor expresses no assurance as to whether the Cash Flow Statement will be achieved. In addition, the 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 Monitor in preparing this Report.

137. 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.

OPERATIONAL MATTERS

138. Other than the brief, temporary network outage described in the Fifth Report of the Monitor, Mobilicity's operations have continued in the ordinary course and without interruption.

139. In March 2014, the Applicants' controller announced his resignation. In the view of Management, the accounting staff at Mobilicity did not include an individual suitably qualified to step in as a replacement. Consequently, Management decided to retain an interim chief financial officer (the "**Interim CFO**") on a month-to-month contract basis for consideration that the Monitor understands is approximately equal to the monthly benefits-included compensation of the former controller. The Interim CFO is a Chartered

Professional Accountant with almost 30 years of professional accounting experience, and has worked previously as a contract chief financial officer in restructuring situations.

140. The Interim CFO is a relative of the CRO and an alumna of Ernst & Young LLP, both of which facts were disclosed to the Monitor, the Applicants' board of directors, and counsel to the Ad Hoc Committee. To avoid any appearance of conflict of interest, the CRO has required that the cheque co-signing authority of the Interim CFO be subject to limitations exceeding those that were applicable to the former controller.

141. The Monitor is of the view that it was important to the stability of Mobilicity's business and the proposed completion of the TELUS Sale that the Applicants retain a suitably-qualified interim replacement for the former controller forthwith, and that consequently the appointment of the Interim CFO is appropriate in the circumstances.

APPROVAL OF THE ACTIONS OF THE MONITOR AND OF THE FEES AND DISBURSEMENTS OF THE MONITOR AND ITS COUNSEL

142. Paragraph 31 of the Initial Order requires that the Monitor and its counsel, Thornton Grout Finnigan LLP ("**TGF**"), pass their accounts from time to time.

143. Attached as Appendix "**L**" to this Report is the Affidavit of Mike P. Dean dated April 17, 2014 (including appendices thereto) in respect of the fees and disbursements of the Monitor to April 11, 2014, in the combined amount of $1,205,801.22, including HST.

144. Attached as Appendix "**M**" to this Report is the Affidavit of Robert I. Thornton (including appendices thereto) in respect of the fees and disbursements of TGF, as independent counsel to the Monitor, to April 11, 2014, in the combined amount of $537,375.74, including HST.

145. The relief sought by the Applicants also includes the approval of the activities to date of the Monitor. Those activities have been described in detail in this Report and in the First through Fifth Reports of the Monitor, all of which have previously been filed with the Court and are available on the Monitor's Website.

EXTENSION OF THE STAY PERIOD

146. The current stay of proceedings pursuant to the order of this Court dated March 21, 2014 expires on April 30, 2014. The Applicants are seeking an extension of the stay period to June 30, 2014 in order to provide the Applicants with time to complete the TELUS Sale.

147. The Cash Flow Statement projects that the Applicants will have sufficient liquidity to operate, and to fund the costs of this Proceeding, to June 30, 2014.

MONITOR'S CONCLUSION AND RECOMMENDATION

148. The Applicants have made a motion for the Meeting Order, inter alia:

   (a) Abridging the time for service of the Notice of Motion, Motion Record and this Report if necessary, and declaring that the motion is properly returnable on the date heard;

   (b) Establishing a process for the determination of Affected Unsecured Creditors' Affected Claims for voting purposes;

   (c) Authorizing the filing of the Plan;

   (d) approving the form of materials to be made available to Affected Unsecured Creditors;

   (e) approving the manner in which the Affected Unsecured Creditors were and are to be provided with notice of the Meeting and Meeting Materials;

   (f) Authorizing and establishing the procedure for the Applicants to call, hold and conduct the Meeting;

   (g) Providing for the return of the Applicants' motion for the Sanction Order;

   (h) Providing for the return of the Applicants' motion for the Sale Transaction 11.3 Order;

(i) Extending the Stay Period, as such term is defined in the Initial Order, as amended by Orders of this Court dated October 24, 2013, December 19, 2013, February 25, 2014 and March 21, 2014, up to and including June 30, 2014; and

(j) Approving the fees and disbursements of the Monitor and its counsel and the Monitor's activities to date.

149. The Monitor is of the view that the Applicants have acted in accordance with the Initial Order, in good faith, and with due diligence.

150. The Monitor recommends that the Court grant the requested relief.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 22nd DAY OF APRIL 2014

ERNST & YOUNG INC.

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

Per:

Mike Dean
Senior Vice President

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

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.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

THIRTEENTH REPORT OF THE MONITOR
JUNE 23, 2015

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