

Message

From: De Alba, Gabriel [gdealba@catcapital.com]
Sent: 5/12/2014 11:45:31 AM
To: Glassman, Newton [nglassman@catcapital.com]; Michaud, Zach [zmichaud@catcapital.com]; Riley, Jim [jriley@catcapital.com]; Jonathan A. Levin [jlevin@fasken.com]
CC: Moyse, Brandon [BMoyse@catcapital.com]; Creighton, Lorne [LCreighton@catcapital.com]
Subject: FW: Presentation
Attachments: 14-05-12 Presentation.pdf

Presentation attached.

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From: Moyse, Brandon
Sent: May-12-14 11:40 AM
To: De Alba, Gabriel; Michaud, Zach
Cc: Creighton, Lorne
Subject: Presentation

Please see attached for the soft copy of the presentation.

Brandon Moyse

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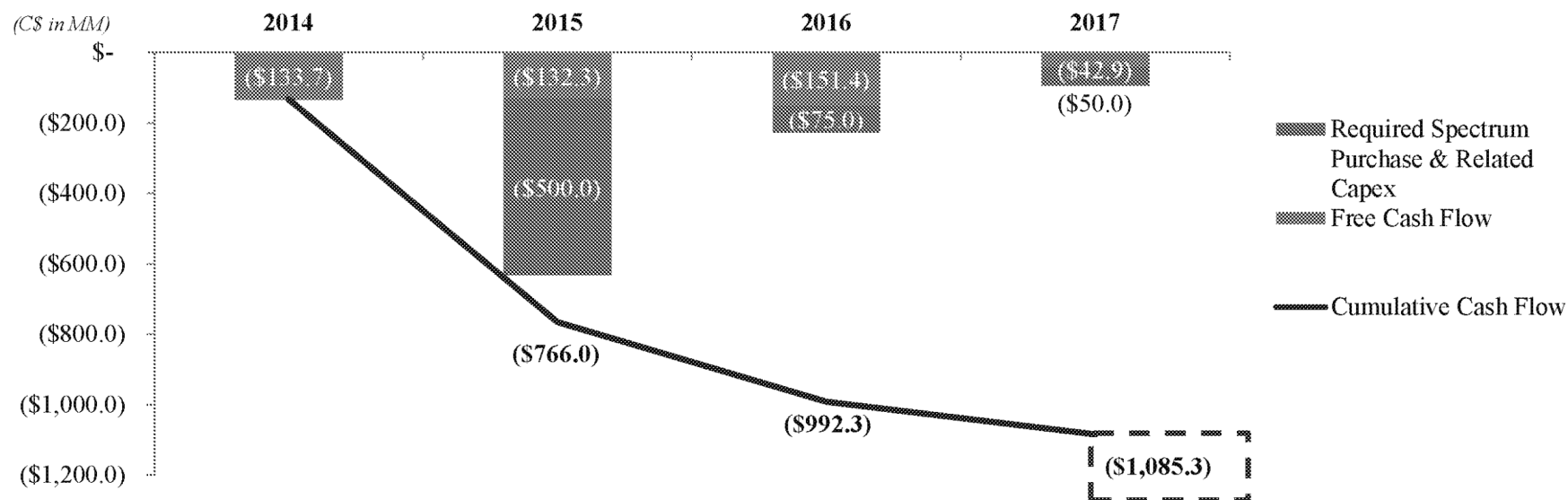
Canada Wireless Presentation

Overview

- **Since our March 27 meeting the environment to achieve the Government's policy objectives has worsened, and the Government could soon be facing CCAA protection / bankruptcy of both Mobilicity and WIND Canada ("WIND")**
- **Mobilicity is pushing for the third time to approve its sale to TELUS**
 - This is now a public battle as the Court has forced mediation
- **Mobilicity and its creditors (other than Catalyst) support the Court using its statutory power to approve a transfer of spectrum without regard to Government policy**
 - The likely failure of mediation will entrench litigation and the confrontation between the Mobilicity Estate, the Court Approved Monitor, an Ontario Court and the industry incumbents against the Federal Government
- **Vimpelcom has abandoned WIND Canada as the investment is worth \$0 to them, and they have refused to inject any additional money into the business. WIND Canada is now in default with its lenders who are pushing to be repaid by issuing a Default Notice and also threatening to file the company for CCAA**
 - Catalyst is in advanced discussion with Vimpelcom to buy WIND Canada but this process is facing a deadline to finalize a sale and purchase agreement by May 23
 - Following the Default Notice, on May 31 the lenders can request immediate repayment
- **Catalyst has been and will continue to be fully supportive of the Government's policy**
 - But we (as is the Government) are running out of time and options
 - Prepared to put large amounts of capital at risk
 - Only Canadian player that can put all the pieces together: capital, spectrum and operational expertise
 - A framework that allows a new player to compete fairly with the incumbents is required — options are:
 - Wireless retail business (the feasibility of this business has been severely hindered due to time delays)
 - Wireless wholesale business
- **Lack of action by the Government will leave it with poor or no choices, litigation and public criticism**

WIND Canada in Default and in Need of Capital

- WIND Canada was founded in 2009 by originally Egyptian-based Orascom Telecom, but now part of Russian-backed Vimpelcom since an April 2011 merger
- Vimpelcom is estimated to have spent \$1.7B on WIND Canada to date including the \$442MM invested in wireless spectrum during the 2008 auction process
- WIND Canada is expected to generate losses for the next several years and will have negative cash flows until at least 2017
 - The company requires \$450MM to \$500MM of funding until 2017
 - This amount DOES NOT include new spectrum or debt/capital flows
- Without new spectrum, WIND Canada will hit a wall in 2018 or earlier as not converting the network to LTE will render its services obsolete



Economics of Creating the 4th Wireless Network

- Combination of Mobilicity and WIND Canada to create a strong, profitable and competitive national 4th wireless carrier
- Help promote a business strategy that enables competition and consumer pricing in line with Government policy goals
- The feasibility of creating the 4th Wireless Network has been reduced due to lack of direction

Economic Implications / Requirements

- WIND Canada purchase price: \$500 million
- Mobilicity purchase price: \$300 million
- Estimated funding of a combined entity's operating losses in the next 3 years: \$500 million
- **Total Initial Investment: \$1.3 billion**
- LTE network build: \$500 million
- Future spectrum purchases: \$250 million - \$500 million
- **Required Investment: \$2.05 billion - \$2.3 billion**

Mobilicity and WIND Canada: Combined Pro-Forma

(in C\$ 000s unless otherwise noted)

| | Mobilicity ⁽¹⁾ | WIND ⁽²⁾ | Total | Mobilicity | WIND |
|-----------------------|---------------------------|---------------------|---------|------------|-------|
| Spectrum Value (Cost) | 243,159 | 537,825 | 780,984 | 31.1% | 68.9% |
| Network Value (Cost) | 97,418 | 277,873 | 375,291 | 26.0% | 74.0% |
| Total Subscribers | 190,000 | 649,000 | 839,000 | 22.6% | 77.4% |

Notes:

(1) Mobilicity subscriber data information from Monitor's Report on February 20, 2014. Network value and spectrum value as of June 30, 2013.

(2) WIND's Canadian spectrum value and network value as of 9/30/12; subscribers from Q4 2013 results announcement on March 6, 2014. Network value represents the reported net value of cell sites and core sites.

Strategic Options: Option 1 (now severely hindered)

Option 1 (now severely hindered) — Combination of WIND Canada / Mobilicity to create a 4th National Carrier focused on the retail market:

- Negotiations with Vimpelcom are well advanced but no deal can be completed without establishing a viable regulatory and economic framework. Deadline is May 23, 2014, to complete sale and purchase agreement (“SPA”)
- Meets Government policy: delivers to the Consumer while eliminating incumbent dominance

Requires:

- In due diligence, WIND has confirmed that the business will “hit a wall” in 2018 or earlier without additional spectrum
- Guaranteed regulated wholesale cost and roaming contracts
 - Cost-plus approach – towers and roaming
 - Caps on roaming fees
- Potential to partner/exchange/rent spectrum from and to incumbents (“subordinate licensing”) to fill spectrum requirements to operate competitive LTE network
- The ability to operate as a retail-only business using incumbents’ networks outside license areas to accelerate subscriber growth and move to breakeven quicker
- Ability to exit the investment with no restrictions in 5 years
 - Catalyst will make an undertaking that before selling to an incumbent, it will pursue an IPO or another strategic sale prior to the end of the 5 year period

Strategic Options: Option 2 (fast becoming only feasible option)

Option 2 (fast becoming only feasible option) — Combination of WIND Canada / Mobilicity to create a 4th National Carrier focused on the wholesale market:

- Can be used to force competition amongst existing players
- Meets Government policy: delivers to the Consumer via better product offerings, pricing and spectrum utilization

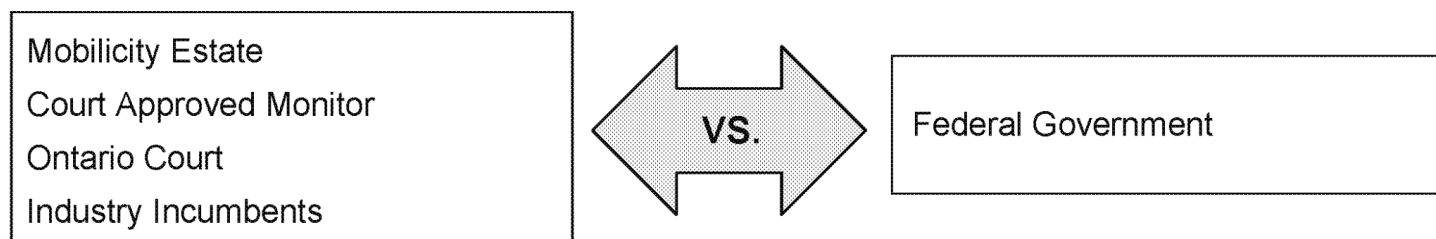
Requires:

- Potential to partner/exchange/rent spectrum from and to incumbents (“subordinate licensing”) to fill spectrum requirements for nationwide communications
- Ability to exit the investment with no restrictions in 5 years
 - Catalyst will make an undertaking that before selling to an incumbent, it will pursue an IPO or another strategic sale prior to the end of the 5 year period

Strategic Options: Option 3

Option 3 — CCAA Mobilicity Court process sale to Telus without (or with) Government support:

- Without a viable regulatory and economic framework provided by the Government for an alternative transaction (Option 1 or Option 2), Mobilicity's creditors will push for a Telus transaction
- If the Government does not support Mobilicity's sale to Telus, litigation will be used to force a sale
- Litigation will be public and will create confrontation:



- Catalyst will lose control of the situation while still making money on its investment
- Vimpelcom deal will be off the table — reluctantly the Government will be facing a long and inconvenient “front page” battle that will be characterized as a policy failure and Catalyst will have to support the Mobilicity Estate
- Catalyst will continue to support the Government's policy as long as our contractual rights are respected

Appendix

Current Environment / Landscape

Unfortunately, despite the Government's policies, the incumbents have improved their position at the expense of the Consumer. This incumbent strengthening is consistent with developed pure-play / no-bundle wireless industry market trends:

- Spectrum concentration in incumbents' hands despite Government policy
- Incumbents have utilized multiple operational tactics and legal loopholes to limit competition from new entrants (i.e. multiple-brand strategy, retention incentives at time of disconnect, multi-product discount)
- Arbitration process is long, expensive and arduous
- Roaming contracts are not uniform, are not economic and deter competition
- Winners of the 700 MHz Spectrum auction were the incumbents, and without a 4th carrier the Consumer will pay the price. Ultimately, the incumbents will never pay for the auction's cost
- Limited traction with establishing a strong 4th carrier in every major market
 - WIND's financial backer, Vimpelcom, has written off its investment in Canada and stopped supporting the company, which is now in default and under threat to file for CCAA / bankruptcy
 - Mobilicity continues to languish in CCAA and is forcing a Court solution (likely to be inconsistent with the Government's policy)
 - Quebecor, controlled by a separatist, is not an appropriate Canadian national champion
 - In addition, Quebecor has not yet recouped its wireless investment in Quebec

Current Government Policy and Goals

- Promote the creation of a 4th carrier:
 - Spectrum allocation away from the incumbents
 - Initiation of discussion on regulating roaming rates, contracts and tower sharing
 - Arbitration process to enforce policy mandates
 - Media awareness campaign showing the shortfalls faced by the Canadian consumer
- Focus on the Canadian consumer:
 - Create a strong, profitable 4th player that can compete with the incumbents
 - Improve pricing and selection for consumers
 - Introduce innovation back into an oligopolistic market
 - Wireless Code of Conduct:
 - Ability to cancel contracts after two years with no cancellation fees
 - Cap on extra domestic and international data charges
 - Ability to unlock cellphones after 90 days, or immediately if device paid for in full
 - Return cellphones within 15 days if unhappy with service
 - Easy-to-read and easy-to-understand contracts