The Catalyst Capital Group Inc.

Canada Wireless Presentation

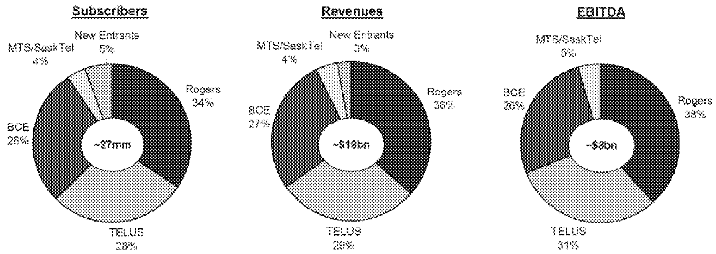
Overview

- **The decision and action timelines have tightened following Mobilicity's March 21, 2014, court ruling**
  - Mobilicity has obtained Court approval to complete the sales process by April 30, 2014
  - Vimpelcom has written down its investment in WIND Canada from $1.2 billion to $0
  - Catalyst is in advanced discussion with Vimpelcom to gain control of WIND Canada but the process is tight on time
- **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**
  - Litigation will be open and will create confrontation between the Mobilicity Estate, the Court Approved Monitor, an Ontario Court and the industry incumbents against the Federal Government
- **Catalyst has been and will continue to be fully supportive of the Government's policy**
  - 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
    - Wireless wholesale business
- **Lack of action by the Government will leave it with poor or no choices**

The Government is Focused on the Canadian Consumer

Dominant Oligopoly Market Dynamic

- The incumbents have a dominant position in the market



Canadian Wireless Incumbents

Overview

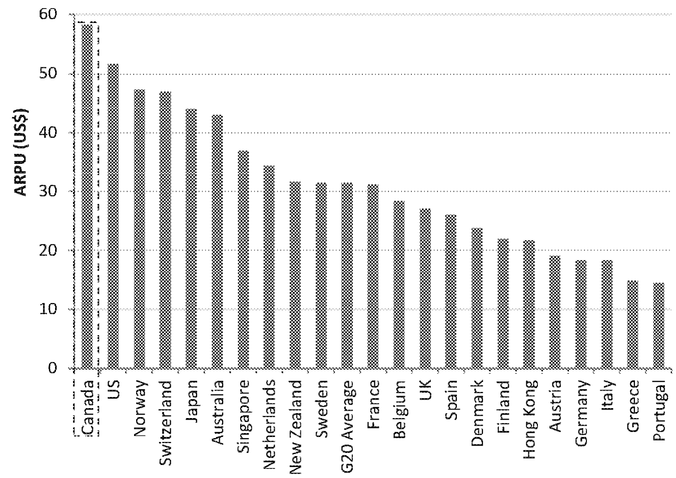
	2013 Financial Data (in C$ millions)[1]			Operational Data[1]	
	Total Sales	Wireless Sales	Total EBITDA	Wireless Subs (000s)	Other Subs (000s)[2]
Telus	11,404	6,177	4,018	7,807	5,489
Bell	20,400	5,849	8,089	7,925	13,221
Rogers	12,706	7,270	4,993	9,503	5,241
Total	44,510	19,296	17,100	25,235	23,951
WIND Canada and Mobilicity Estimates					
WIND Canada	250	250	(100)	649	-
Mobilicity	80	80	(30)	190	-

(1) As reported based on Q4 2013 filings.

(2) "Other services" comprises Internet, TV and Wireline.

High Cost and Poor Service Selection

- Pricing and service selection in the Canadian wireless market is below G20



Source: Merrill Lynch Global Wireless Index.

Government policy quotes and comments as it pursues its policies and seeks to establish the right market dynamics

- "It will be in the best interests of wireless companies to adopt innovative practices to ensure their customers are satisfied and to attract new ones"
- "Canadians know instinctively that more choice and more competition will be good for them and good for their families"

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

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 (please see Appendix "Cellcos must merge to survive price wars"):

- 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 Canada's financial backer, Vimpelcom, has written off its investment in Canada
  - 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

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

Economic Implications / Requirements

- WIND Canada purchase price: $500 million
- Mobilicity purchase price: $270 million
- Estimated funding of a combined entity's operating losses in the next 2 years: $200 million
- **Total Initial Investment: $970 million**
- LTE network build: $250 million - $500 million
- Future spectrum purchases: $250 million - $500 million
- **Required Investment: $1.5 billion - $2 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

Option 1 — 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
- Meets Government policy: delivers to the Consumer while eliminating incumbent dominance
- Requires:
  - 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

Option 2 — 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 and pricing

- 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:

Mobilicity Estate Court Approved Monitor Ontario Court Industry Incumbents	VS.	Federal Government

- 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

Industry Participant Perceptions

- "*We do not believe the spectrum auction will necessarily change the market positioning and strength of each of the wireless incumbents in the short to medium term.*"
  - Desjardins Capital Markets, Feb. 20, 2014

- "*The federal Government's attempt to bring about additional competition in Canadian wireless dates back to the AWS spectrum auction conducted in 2008. … Fast forward nearly five years, and these players have failed to make much of an impact on the market with a combined market share today of ~5%. As consumer demand moved increasingly towards smartphones and data usage, these wireless carriers had insufficient spectrum depth to compete in this growing opportunity.*"
  - CIBC Equity Research, June 26, 2013

- "*Industry Minister Christian Paradis is apparently committed to ensuring a viable fourth wireless player in every region in Canada. We don't like his chances.*"
  - BMO Capital Markets, June 20, 2013

- "*We do not necessarily see new entrants as being in a position to take advantage of [the new Canadian National Wireless Code].*"
  - Desjardins Capital Markets, June 4, 2013

- "*What measures can Industry Canada take from here? … the only major near-term lever is spectrum transferability.*"
  - Macquarie Capital, April 3, 2013

Cellcos must merge to survive price wars

Softbank chief argues scale is essential as he chases Sprint/TMo merger, Bouygues makes big concessions to try to win SFR

CAROLINE GABRIEL

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As mobile markets saturate, the cellcos' survival increasingly depends on being able to adapt their business models and cost bases rapidly for a price war. Yes, there will be premium services and new devices to offer, but the mainstream activities are on an accelerating downward curve in terms of ARPU and ARPA (average revenue per account). That curve is being drawn by regulators in developed markets encouraging more competition, helping to reset already optimistic consumer expectations about cost per gigabyte. The result will be consolidation, as we see in Europe and North America, and the suffering operators are calling on regulators to shed their traditional fears about reduction in the number of providers, and instead help those that remain to be viable.

These arguments are being trotted out on both sides of the Atlantic - by Masayoshi Son, CEO of Softbank, the majority owner of Sprint, who is keen to buy T-Mobile USA; by Telefonica as it seeks to merge its O2 units in Ireland and Germany with other smaller cellcos (3 Ireland and E-Plus respectively); by Bouygues Telecom in France, which is bidding to acquire SFR, in order to be able to survive the price war sparked by the entry of Free Mobile. Late last week, the CEOs of nine major European telcos supported calls by the GSM Association that the European Commission relax its M&A rules in the sector, as part of a list of changes which the trade body believes would make the region's mobile business more competitive and sustainable.

There is a cross-Atlantic pattern here - a fourth placed cellco (Iliad's Free Mobile unit in France, an enlarged and reinvigorated T-Mobile in the US) - launches a price war, driving more established rivals to seek greater scale to survive the new market conditions. So France's third MNO, Bougues Telecom, wants to buy Vivendi's SFR, the second cellco in the country, to create a united front against Free. If it succeeds - and it is offering substantial concessions to do so - it would be a more conventional and defensive merger than other potential exits for Vivendi, such as selling to Altice/Numericable, which has also put in a bid, or even to Vodafone. Both those potential deals would fit with the new trend for European operators to fight against the mobile price war by increasing their ARPA through a quad play, combining cellular and wireline assets. Vodafone is buying cableco assets around its territories while Numericable would be seeking full control of a wireless offering rather than relying just on MVNO deals or Wi-Fi, like some cable providers.

Such patterns add weight to the MNOs' claims that the attitudes of antitrust regulators on both sides of the pond, with a fear of letting the number of competitors fall too low, are outdated, because they do not take into account all the new sources of mobile and quad play choice for consumers, including disruptive MVNOs like the US's Wi-Fi led Republic Wireless, wireless offerings from wireline providers, and the activities of over-the-top firms in creating their own network-driven brands, like Amazon Kindle.

SoftBank's Son is not one to mince his words on such issues, and his firm understands the benefits of acquisition to bolster the position of a challenger MNO, having originally been built around Vodafone's former Japanese arm, and then acquiring Willcom and eMobile to improve its spectrum holdings and scale. Son wants to do the same for Sprint, and plans to lobby lawmakers in Washington this week, arguing that a larger cellco would be better able to invest in high speed, high quality data networks, and so to improve competition against the big two and offer lower prices.

According to Bloomberg sources, Son does not plan to argue specifically for a T-Mobile merger, but his conversations will be seen as laying the groundwork for a future bid. In particular, he is expected to focus on home broadband, where many consumers have only two choices - or even just one. A sufficiently fast and robust wireless network could be used to compete with the wireline providers and so reduce prices, he is expected to argue, promising a "massive price war".

In an interview on US television with PBS's Charlie Rose, he said he was ready to postpone profits for Sprint in order to gain market share and scale, essential to compete effectively against AT&T and Verizon. Son told Rose that AT&T and Verizon collect most of the US mobile industry's cashflow and do not face "real competition". He said: "We need a certain scale, but once we have enough scale to have a level fight ... then it's a three-heavyweight fight. If I can have a real fight, I go in for a massive price war, a technology war."

His TMo prey has already unleashed new tariffs which undercut the big operators and have particularly hit AT&T, which is taking a bigger role in the prepaid market than it has in the past, with the acquisition of Leap.

Over in France, Bouygues is hoping to appease competition authorities by offering to sell its network and spectrum to Iliad/Free in return for merging its mobile unit with SFR. Both its offer and that of Altice value SFR at about €14.5bn, but without divestments, Bouygues would be likely to face far more intense regulatory scrutiny, which might deter Vivendi.

Bouygues announced that, at the weekend, it had entered discussions with Iliad about selling its infrastructure and spectrum to Free for €1.8bn ($2.5bn), with the sale contigent on the SFR merger going ahead. Free has some of its own 3G spectrum and network, but relies heavily on an MVNO deal with Orange for coverage, and has no 4G airwaves. Iliad would finance the purchase with existing resources and debt, without the need to raise capital, it said.

Although the plan would still reduce the number of cellcos in France, it would arguably make Free more sustainable while adding new customers and scale to SFR/Bouygues. And French lawmakers are painfully aware of the downside of encouraging new competition, since Orange and the other established MNOs have had to make significant job cuts, and pulled back on some network investments, as a result of the new challenge from Free.

"Politicians in France simply can't make a choice other than Bouygues for SFR after they spent all this time criticizing fiscal exile, saying there's too much competition in French telcos and worrying about jobs," Iliad founder Xavier Niel said at a press briefing in Paris. "The Bouygues scenario checks all the items on that list."

However, a combined Bouygues/SFR would still have almost 50% of France's subscribers, even if Bouygues would be handing Free the tools to redress that balance somewhat. The regulators will need to be very convinced that the Iliad unit would, indeed, be empowered to increase its share rapidly from the current 12%, otherwise there would be an effective duopoly of the new entity, with about 49%, and Orange with 39%.

Should Vivendi choose the rival bid from Altice, the owner of cableco Numericable, Iliad could be open to making an outright offer for Bouygues, sources indicate.

Niel said Iliad has a target of winning 25% of the French mobile market, more than doubling the 12% it held at the end of 2013, though he did not offer a deadline to achieve that figure. Free Mobile is boosting the company's results, thanks to its low cost base and clever leveraging of its broadband operation's presence in consumer homes, and its extensive network of Wi-Fi 'homespots'. The firm's 2013 group profit was up 42% year-on-year to €265m on sales up 19% to €3.75bn. The growth was mainly attributed to mobile expansion - this business generated revenues of €1.26bn in the year, up 49.5% on 2012, while growth in landline revenues was far more subdued at 7.6%. The Free mobile base saw 2.835m net adds last year, topping 8m in total.

As the market stabilizes growth will clearly slow, and so might profit increase, but that pattern could be improved over time if Free, via a Bouygues deal, could avoid paying infrastructure fees to Orange, which cost it between €500m and €700m a year.

Although not directly participating, market leader Orange has welcomed the moves towards consolidation in its home country, which could address current "market destabilization", it believes.