

# FP TECH DESK

TRENDING FP 500 | BlackBerry | Northern Gateway | Loonie | Housing Market | Bank of Canada | Family Finance | Keystone XL Pipeline | Energy | E3 2014

## Mobility bondholder looking to get in on action if Verizon comes to Canada

Theresa Tedesco and Christine Dobby | June 27, 2013 | Last Updated: Jun 27 6:30 PM ET

Republish Reprint



Sources told the Financial Post that Toronto-based Catalyst has been in discussions with Verizon Communications Inc. as the second-largest wireless provider in the U.S. AP Photo/John Manchillo prepares to enter the Canadian market.

### Catalyst Capital Group eyes rumoured Verizon-Wind Mobile deal

Catalyst Capital Group Inc. isn't interested in buying Mobility, but the successful private equity firm is trying to parlay its senior debt position in the struggling wireless newcomer into a role with U.S. giant Verizon Communications Inc.'s plan to enter the Canadian market with an acquisition of rival Wind Mobile.

Sources told the *Financial Post* that Toronto-based Catalyst has been in discussions with Verizon Communications Inc. as the second-largest wireless provider in the U.S. prepares to enter the Canadian market. The discussions, described by an insider as "still in the introductory and early stages," are in conjunction with Verizon's talks with Wind Mobile's owners to acquire the wireless startup for as much as \$700-million. Catalyst is said to "be involved in the process for Wind," although an outright bid by the private equity firm on its own is unlikely.

Catalyst owns more than 30% of the senior secured credit of Wind's rival Mobility. Verizon has also floated the possibility of acquiring the financially crippled entrant, although the talks were "exploratory" and no offer has been tabled. Catalyst's blocking position in the operating company of the Vaughan, Ont.-based carrier (the holding company is known as Data & Audio-Visual Enterprises Holdings Inc.) is estimated to be worth \$60-million. That means no transactions involving Mobility can likely be completed without Catalyst's co-operation.

Newton Glassman, co-founder and managing partner of Catalyst, would not comment on the nature of his firm's involvement with Verizon or Wind. However, he told the *Financial Post* that Catalyst "is not interested in Mobility on a standalone basis. Never were; never will be."

Verizon could be 'game-changer' that upends Canadian market

A move by Verizon Communications Inc. into Canada's mobile telecom market could be a "game-changer" that sends the Big Three mobile providers reeling, say industry insiders. Continue reading.

250

Why? "Mobilicity on its own is a flea on an elephant's butt of wireless telecom in Canada. The only way to build a fourth wireless provider in Canada is through Wind because of the subscriber base and spectrum."

Related

- Rogers and Telus downgraded on Verizon threat
- Canada's telco stocks to suffer further on Verizon-Wind Mobile deal
- Verizon bids for Wind Mobile, in talks with Mobilicity: sources

Wind has more than 600,000 subscribers and spent \$442-million on cellular spectrum licences in the 2008 auction for the public airwaves. Mobilicity's spectrum licences came to \$243-million and it has about 250,000 subscribers.

The reclusive Mr. Glassman is currently embroiled in a legal battle with Mobilicity over the terms of a recent \$75-million in second-lien financing. The lawsuit launched by Catalyst in an Ontario court in February continues despite the flurry of activity in the wireless sector and is pivotal to Mr. Glassman's ultimate plans to be part of creating a major fourth wireless carrier in Canada.

"All we require and demand is that the actual indenture for the first-lien debt be honoured," Mr. Glassman said in an interview.

For its part, the company says the private equity firm brought the action in an attempt to gain leverage over Mobilicity following disappointment after talks with Catalyst on fresh financing fell through and the carrier negotiated different terms with other backers.

Mobilicity on its own is a flea on an elephant's butt of wireless telecom in Canada

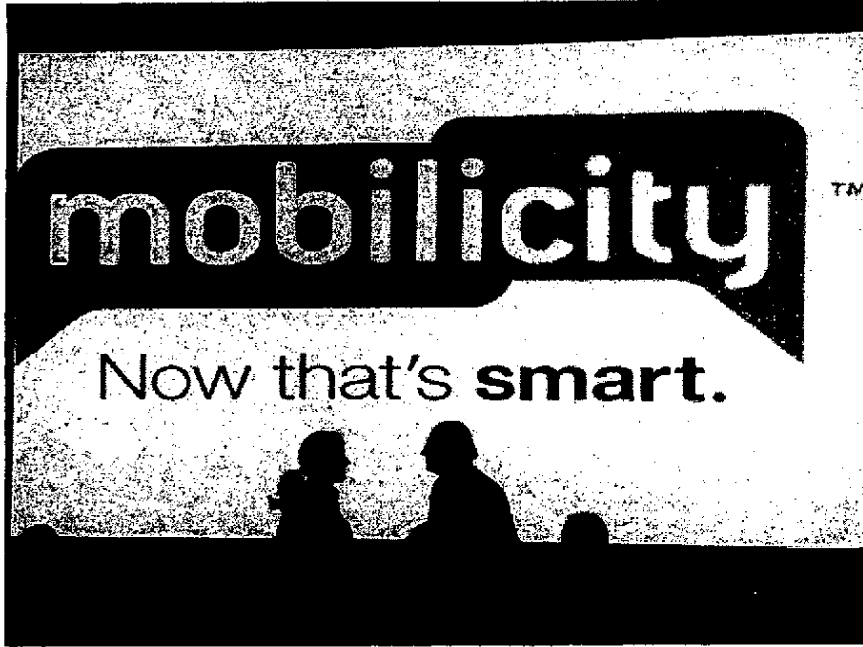
"[Catalyst is] a bitter bidder in the context of the second lien financing," Marc Kestenberg, a lawyer representing Mobilicity argued in court in March.

Even so, Mr. Glassman reiterated his firm's support for the small carrier, which is currently carrying \$508-million in debt. "We will not stand in the way of any transaction for Mobilicity so long as our legal rights are respected as written in the indenture," he said. "Anybody trying to take property that belongs to us will have a vigorous fight on their hands."

That is the message Catalyst has likely brought to Verizon.

Meanwhile, industry sources familiar with events say they expect the federal government to seek concessions from Verizon, which has almost 100 million U.S. subscribers, such as trying to include a Canadian partner in its acquisitions.

At the same time, Verizon will try to squeeze Ottawa for its own conditions, such as relaxing the foreign ownership rules and allowing the company to sell spectrum, although it could face the same challenges in selling as the current new entrants who have been blocked from selling to the incumbents as an easy out.



Mobilicity's spectrum licences came to \$243-million and it has about 250,000 subscribers. Darren Calabrese/National Post

Either way, acquiring Wind would be a low-cost way to enter the country even though sources say \$700-million is too high for the company on its own.

The small carrier is likely a so-called Trojan horse for a future acquisition attempt by the U.S. giant for one of the large carriers – Telus Corp., Rogers Communications Inc. and Bell Mobility. Telus, the smallest of the incumbents and the only pure-play telecom player out of the three, is considered the likely candidate, and Verizon once held 20% of the company.

Barring a change in the foreign ownership rules to permit acquisitions of Canadian companies that account for more than 10% of the telecommunications market, Verizon would also have the opportunity to bid aggressively on spectrum in the upcoming government auction and build a fourth-generation LTE network.

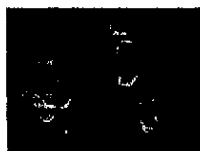
The auction rules limit the incumbent players to one premium block out of four and allow new entrants, which would include Verizon, to bid on two blocks per geographic area.

The share prices of all three major Canadian incumbents were battered on the possibility that Verizon would be entering the Canadian market. If that continues, it would make buying a major player much cheaper.

"Paradis will look brilliant because the government will be seen as a friend of consumers," said an industry source who asked not to be named. However, Ottawa is aware that the arrival of Verizon could "damage" the large players. As a result, many industry players predict that if Verizon gets the green light to buy Wind, Mr. Paradis can be expected to bless Rogers' deals to purchase unused spectrum from Shaw Communications Inc. and Quebecor Inc.-owned Videotron.

 Find Financial Post on Facebook

Most Popular



Now that Ontario is a



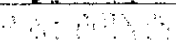
Ontario debt rating



This man fought the



How the loonie is

 Earn rewards for being a loyal National Post Reader

Sign In

Learn More

Join

» Print

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to colleagues, clients or customers, use the Reprints tool at the top of any article or visit: [www.reutersreprints.com](http://www.reutersreprints.com).

## Bid deadline for Canada's Mobilicity delayed by a week

Mon, Dec 9 2013

By Alastair Sharp

TORONTO (Reuters) - The court-appointed monitor for struggling Canadian wireless startup Mobilicity has extended the deadline for suitors to bid for the company by a week to December 16, a regulatory filing shows.

Bidders for the Toronto-based startup, which filed for court protection from its creditors earlier this year, now have until noon next Monday to submit their offers in the court-supervised auction, according to a document posted on the website of monitor Ernst & Young Inc.

Ernst & Young said it extended the deadline following requests from several bidders.

Mobilicity, formally known as Data & Audio Visual Enterprises, offers lower-cost unlimited talk and text plans to fewer than 200,000 customers, mainly in several of Canada's biggest cities. It previously agreed to sell itself to Telus Corp, one of Canada's dominant wireless providers.

But the federal government twice blocked the sale of Mobilicity to Telus on the grounds it would create an undue concentration of wireless spectrum ownership.

The largest of Mobilicity's creditors, private equity firm Catalyst Capital Group Inc, wants the startup to merge with Wind Mobile, the biggest of the new players in the Canadian mobile market, and would consider putting resources behind such a move, a Catalyst spokesman said on Monday.

Catalyst said it is not interesting in owning Mobilicity per se.

Wind, the brand name of Globalive Wireless Management Corp, has entered the court process and is assessing Mobilicity's value, Chief Executive Anthony Lacavera said last week. Globalive is controlled by Lacavera, with backing from Europe's Vimpelcom Inc.

Lacavera did not disclose how much his company might be willing to bid for Mobilicity, but it is seen as unlikely to offer as much as Telus, which bid C\$380 million (\$357 million) in its first offer.

Globalive, however, is considered more likely to receive a green light from Ottawa, which is eager to see small players compete with the Big Three providers that dominate the market.

Telus, BCE Inc and Rogers Communications Inc control a combined 90 percent of the Canadian wireless market, and hold roughly 85 percent of the spectrum used to send mobile voice and data.

Mobilicity's spectrum, the airwaves mobile operators use to transmit voice and data services, is seen as its most attractive asset.

Mobilicity paid C\$243 million for those airwaves in a 2008 auction in which the government set aside some spectrum for new entrants.

Another of the new entrants in that 2008 auction, Public Mobile, has already been acquired by Telus.

(\$1=\$1.065 Canadian)

(Editing by Jeffrey Hodgson,; Peter Galloway and Andre Grenon)

© Thomson Reuters 2013. All rights reserved. Users may download and print extracts of content from this website for their own personal and non-commercial use only. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.

Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to colleagues, clients or customers, use the Reprints tool at the top of any article or visit: [www.reutersreprints.com](http://www.reutersreprints.com).