

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
)	Chapter 15
PT HOLDCO, INC., <i>et al.</i> , ¹)	
)	Case No. 16-10131(____)
)	
Debtors in a Foreign Proceeding.)	(Joint Administration Requested)
		Re: D.I. 3, 4, and 5.

DECLARATION OF NIGEL D. MEAKIN

I, Nigel D. Meakin, hereby declare that the following is true and correct to the best of my knowledge, information and belief.

1. I am a Senior Managing Director of FTI Consulting Canada Inc. (“FTI”), the court-appointed monitor (in such capacity, the “Monitor”) and duly authorized foreign representative (in such capacity, the “Foreign Representative”) for Primus Telecommunications Canada Inc., Primus Telecommunications, Inc., Lingo, Inc., PT Holdco, Inc., and PTUS, Inc. (collectively, the “Debtors” or “Primus Entities”) in Canadian insolvency proceedings (the “Canadian Proceeding”), pending in Toronto, Canada before the Ontario Superior Court of Justice (Commercial List) (the “Canadian Court”) ². FTI was appointed as Monitor of the Debtor pursuant to the provisions of Canada’s Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36 (the “CCAA”), the insolvency statute under which the Debtors have been granted relief

¹ The last four digits of the Employer Identification Number or Canadian Business Number, as appropriate, for each debtor follow in parentheses: PT Holdco, Inc. (3731), PTUS, Inc. (0542), Primus Telecommunications, Inc. (4563), Lingo, Inc. (7778), and Primus Telecommunications Canada, Inc. (5618).

² The Monitor was appointed as monitor of the Debtors pursuant to provisions of Canada’s Companies’ Creditors Arrangement Act (the “CCAA”), R.S.C. 1985, c. C-36, the statute under which the Debtors have been granted relief from creditors. An initial order was entered on January 19, 2016 in the Ontario Superior Court of Justice by the Honourable Mr. Justice Penny, in the matter of a Court File No. CV-16-11257-OOCL Plan of Compromise or Arrangement of PT Holdco, Inc., Primus Telecommunications Canada Inc., PTUS, Inc. Primus Telecommunications, Inc., and Lingo, Inc. (“Initial Order”).

from creditors. As such, I have personal knowledge of the statements contained in this affidavit. Where I have relied upon other sources for information, I have referred to such sources and I verily believe them to be true.

2. I respectfully submit this declaration (the "Declaration") in support of the Foreign Representative's Verified Petition for Recognition of Foreign Proceeding and Related Relief (the "Petition for Recognition").

3. Attached as **Exhibit A** is a true and correct copy of the Initial Order issued by the Canadian Court in the Canadian Proceeding on January 19, 2016 (the "Initial CCAA Order").

4. Attached as **Exhibit B** is a true and correct copy of each of the following documents filed in the Canadian Proceeding:

- a) *Affidavit of Michael Nowlan sworn to on January 18, 2016* (the "Nowlan Affidavit") and related exhibits; and
- b) *Application of the Primus Entities pursuant to the CCAA.*

OVERVIEW OF THE APPLICABLE CCAA PROCESS

5. The CCAA provides for a controlled procedure designed to enable financially distressed companies to avoid foreclosure or seizure of assets while maximizing the company's value for the benefit of creditors and other parties in interest (a "CCAA Proceeding").

6. A CCAA Proceeding is an insolvency proceeding in which the debtor reorganizes or liquidates its business and distributes proceeds to creditors under court supervision. The debtor's assets and affairs are subject to the supervision of the Canadian Court during the pendency of a CCAA Proceeding.

7. In a CCAA Proceeding, absent exceptional circumstances, the debtor's management and board of directors remain in place, and the board maintains its power under

Canadian law to approve significant actions, including disposing of important assets, borrowing significant amounts, or changing corporate structures, subject to oversight by a court-appointed monitor and consent of the court.

8. Upon the commencement of a CCAA Proceeding, the court will appoint a qualified monitor, who functions as an officer of the CCAA court and an independent observer of the CCAA Proceeding and the debtor's business and (i) monitors the company's ongoing operations, (ii) reports to the court on any major events affecting the company, (iii) notifies the company's creditors of any meetings and tabulates votes at these meetings, if held, (iv) assists in preparing, filing, and holding meetings for voting on the plan of arrangement or compromise, (v) approves the disclaimer of contracts, (vi) may prepare reports in conjunction with any interlocutory motions by the company or other stakeholders, and (vii) prepares a report on the plan of arrangement, which is usually included in the mailing of the plan, if one is filed. Consent of the monitor is generally not required for the debtor to manage its business, including the sale of assets in the ordinary course, but the monitor may seek advice and directions of the court and/or ask that the court enjoin any actions that may prove harmful to the debtor and/or its creditors. Though the monitor need not formally approve significant transactions such as asset sales outside of the ordinary course, court approval is generally required for such transactions and the court gives weight to the monitor's recommendations concerning such transactions.

9. Upon commencement of a CCAA Proceeding, there is typically a stay of proceedings whereby all actions against the debtor and its assets are stayed, wherever located. The stay of proceedings is for a maximum initial period of thirty (30) days, but is typically extended where the debtor can show it continues to act with good faith and due diligence. There is no limit on the number or duration of these extensions of the stay.

10. In the CCAA Proceeding, subject to limited exceptions, clauses triggering termination rights upon the debtor's commencement of an insolvency proceeding are not enforceable, so contract counterparties may not terminate contracts solely by virtue of the commencement of the CCAA Proceeding.

11. Throughout a CCAA Proceeding, the court retains broad discretion to make any order that it considers appropriate in the circumstances.

OVERVIEW OF THE DEBTORS' BUSINESS³

A. Corporate Structure

12. Holdco is a private company incorporated under the Ontario *Business Corporations Act*, R.S.O. 1900, c. B. 16 (the "OBCA"). Holdco holds 100% of the shares of Primus Canada and PTUS. Holdco's registered head office is located at 5343 Dundas Street West, Suite 400, Toronto, Ontario.

13. Primus Canada is a private company incorporated under the OBCA. Primus Canada is the Primus Entities' Canadian operating company. Primus Canada's registered head office is located at 5343 Dundas Street West, Suite 400, Toronto, Ontario.

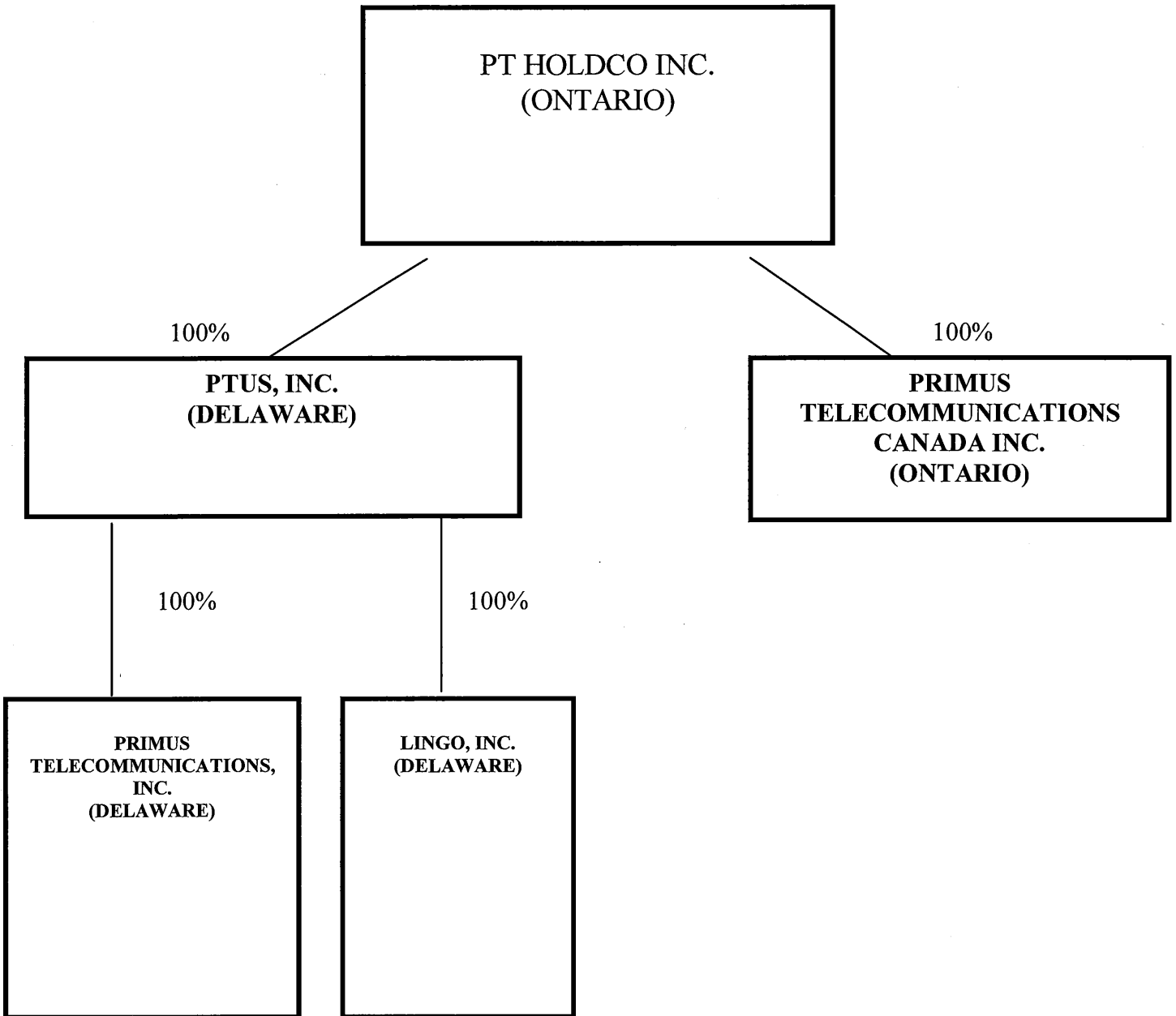
14. PTUS is a subsidiary of Holdco and a private company incorporated under the laws of Delaware. PTUS holds 100% of the shares of PTI and Lingo, and has no independent operations. PTUS's registered head office is located at 2711 Centreville Road, Suite 400, Wilmington, New Castle County, Delaware.

15. PTI is a subsidiary of PTUS and is also a private company incorporated under the laws of Delaware. PTI is in the business of selling telecommunications services primarily

³ The information contained in Sections A, B, C, D, E and F under the heading "Overview of the Debtors' Business" is based upon discussion with management of the Primus Entities and review of the Nowlan Affidavit. Some of the information is duplicative of information in the Verified Petition and the Nowlan affidavit, but is included for the convenience of the Court and the parties.

consisting of telephone and long distance voice services. PTI's registered head office is the same as PTUS.

16. Lingo is also a private company incorporated under the laws of Delaware. Lingo offers VoIP telephone and long-distance voice services to both residential and small business customers. Lingo's registered head office is the same as PTUS.



B. The Business of the Primus Entities

17. The Primus Entities re-sell a wide selection of residential and business telecommunications services (with the exception of wireless phone services). The revenue generated by Primus Canada accounts for approximately 88% of the Primus Entities' gross revenue. 78% of Primus Canada's revenue is generated in Ontario, with 10% in Quebec, 6% in British Columbia, 4% in Alberta, and 2% from other provinces. The U.S. Primus Entities generate the balance of the Primus Entities' gross revenue.

Primus Canada

18. The major carriers in Canada's telecommunications services industry are BCE Inc. ("Bell"), Rogers Communications Inc. ("Rogers"), Telus Corporation ("Telus"), MTS Inc./Allstream Inc. ("Allstream") and Shaw Communications Inc. ("Shaw" and together with Bell, Rogers, Telus and Allstream, the "Major Carriers").

19. The Major Carriers are Canada's five largest telecommunications service providers ("TSPs"). Combined, including their affiliates, they accounted for more than 84% of total market revenues in 2014. The next five largest TSPs accounted for 9% of total market revenues in 2014. Accordingly, the top 10 TSPs collectively capture 93% of industry revenues; the remaining TSPs capture the balance.

20. The top 10 TSPs are facilities-based service providers, meaning that they own and operate the majority of the transmission equipment required to provide their telecommunications services. The vast majority of the remaining TSPs are "re-sellers".

21. "Re-sellers" are TSPs who acquire (and require) wholesale services from other TSPs to provide telecommunications services to their own customers. Under a typical re-selling agreement, the wholesaler is responsible for physical service delivery and the re-seller manages

the customer relationship. As a result, the wholesalers own and operate the majority of the necessary infrastructure to provide telecommunications services but the consumers deal exclusively with the re-seller.

22. The CRTC has mandated that the Major Carriers make certain services available to re-sellers. The Major Carriers sell these services to Primus Canada (and other re-sellers) at prices determined by the CRTC; all other services offered by Primus Canada are purchased at negotiated rates.

Services

23. Primus Canada offers a wide selection of residential and business telecommunications services. Residential services include VoIP, residential internet services, traditional local phone, long distance phone, and pre-paid calling cards. Business services include H-PBX, local line, long distance, internet and data access services to small-to-medium-sized businesses. Primus Canada also provides wholesale long distance capacity and ancillary services to smaller telecommunications service providers. Primus Canada provides its services exclusively through re-selling, as described below.

24. Primus Canada does not own sufficient telecommunications network infrastructure to service its customers without purchasing services from a Major Carrier.

25. Primus Canada conducts its business through re-selling other TSPs' (primarily the Major Carrier) services purchased at wholesale rates determined by the CRTC, or through rates negotiated directly with the TSPs (the "Re-Sell Services"). The majority of Primus Canada's gross revenue is earned through the provision of Re-Sell Services.

26. Certain elements of Primus Canada's services are supplied from 83 "co-locations" which it rents from Bell (74), Telus (5), and Allstream (4). The CRTC obligates the Major

Carriers to make space at certain of their facilities available for rent by secondary carriers at a fixed cost (a “co-location arrangement”). Primus Canada maintains hardware at such co-locations and these co-locations allows it to supply local phone, internet and VoIP services for higher margins.

27. The CRTC regulates what services the Major Carriers must make available to secondary carriers at co-locations. Currently, the services provided by secondary carriers like Primus from co-locations are limited. For example, the higher margin internet offered by Primus Canada through its equipment located in the co-location sites is very restricted in the speeds offered and the geographic range of service covered due to several factors regulated by the CRTC which limit competitive access to the Major Carrier fiber network from the co-location sites to the end customer.

28. Primus Canada is heavily dependent on the Major Carriers for both the Re-Sell Services business and the co-locations business. Primus Canada’s largest Re-Sell Services vendors are Bell, Allstream, Rogers and Telus, accounting for approximately 50% of all supplier obligations to Primus Canada as of November 30, 2015. Bell is Primus Canada’s single largest vendor.

29. Primus Canada is also heavily dependent on its credit card processing service providers, including, without limitation, Chase Paymentech Solutions, Inc. (“Chase”). Approximately 30% of Primus Canada’s customers pay for their services via credit card. Customer contract for services by the Primus Entities and arrange to pay for these services going forward by credit card. The credit card issuer extends credit to the cardholder by debiting the cardholder’s credit card account. Upon being notified of the transaction, Chase pays the applicable Primus Entity and subsequently receives payment from the credit card issuer who

deals with payment from the credit card holder. There is a protocol in place for post-processing rejection and restitution, which is set out in the credit card processing agreement between the parties. Without Chase, Primus Canada is unable to process any credit card transactions.

30. Primus Canada has approximately 204,000 residential customers and 23,000 commercial accounts. In 2015, approximately 56% of Primus Canada's revenue was generated from residential customers, and approximately 44% was generated from commercial customers.

U.S. Primus Entities

31. The U.S. Primus Entities account for 12% of the Primus Entities' gross revenue.

32. The U.S. Primus Entities primarily offer digital home phone service via VoIP technology, which accounts for 39%, and long distance VoIP technology, which accounts for the balance of their revenue.

33. The U.S. Primus Entities' largest supplier currently is PTGi International Carrier Services, Inc. ("PTGi-ICS"). PTGi-ICS is the wholesale supplier of long-distance phone service for resale by PTI; however, PTGi-ICS recently gave notice to terminate this agreement effective March 31, 2016.

34. The U.S. Primus Entities have approximately 27,000 residential customers. Approximately 1,100 customers are located in Puerto Rico; the balance of the U.S. Primus Entities' customers are located throughout the United States.

35. The Federal Communications Commission (the "FCC") regulates telecommunications policies in the United States. Given the small size of the U.S. Primus Entities' business, changes in FCC policy are not expected to materially impact the Primus Entities' overall performance.

36. The U.S. Primus Entities are fully compliant with the American telecommunications licensing regime.

Integration between U.S. Primus Entities and Canadian Primus Entities

37. The Primus Entities' business is intertwined throughout the various Primus Entities' corporations the Primus Entities share networks, platforms, infrastructure and personnel, including senior management.

38. More particularly, certain functions are completely integrated across all Primus Entities. The Primus Entities' executive management, located in Canada, is responsible for the strategic direction of the U.S. Primus Entities, and the Primus Entities' Human Resources department, also located in Canada, is responsible for such functions on an entity-wide basis.

Employees

39. As of December 9, 2015 the Primus Entities employed approximately 500 people in Canada and 28 in the United States. The Primus Entities' employees by location are summarized below:⁴

⁴ In addition to the above, there are six employees in Canada and 20 in the United States who have made arrangements to work off-site.

Location	Primus Entity	Employees
Canada		
Toronto	Primus Canada	242
London	Primus Canada	3
Vancouver	Primus Canada	11
Markham	Primus Canada	12
Ottawa	Primus Canada	81
Edmundston	Primus Canada	147
United States		
Cedar Rapids, IO	PTI	4
Tampa, FL	PTI	4

40. The Primus Entities' workforce is non-unionized.

41. The Primus Entities do not have a pension plan for their employees.

Offices and Facilities

Canada

42. Primus Canada leases its head office in Toronto, Ontario.

43. Primus Canada has two primary "switch sites"⁵ located at 151 Front Street West, Toronto, Ontario, and 555 West Hastings Street, Vancouver, British Columbia.

44. Primus Canada leases sales and support offices in London, Ontario and Vancouver, British Columbia.

45. Primus Canada leases an office located in Markham, Ontario.

46. Primus Canada leases two customer support centres located in Ottawa, Ontario and Edmundston, New Brunswick.

United States

⁵ Network "hubs" – central facilities from which the Primus Entities' deliver services.

47. PTI leases office space in Cedar Rapids, Iowa. Four employees work out of that location and support the Primus Entities' Canadian and U.S. operations.

48. PTI also leases and operates an office in Tampa, Florida. Four employees work out of that location and their primary role is to provide customer support for the Puerto Rico customer base.

Cash Management System

49. In the ordinary course of their business, the Primus Entities use a centralized cash management system to, among other things, collect funds and pay expenses associated with their operations. The Primus Entities maintain bank accounts in both Canada and the U.S. for their respective Canadian and U.S. operations as well as accounts related to the holding companies.

50. In the ordinary course of their business, the Primus Entities use a centralized cash management system (the "Cash Management System") to, among other things, collect funds and pay expenses associated with their operations.

51. As particularized in the Nowlan Affidavit, the Primus Entities maintain bank accounts in both Canada and the U.S. for their Canadian and U.S. operations as well as accounts related to the holding companies.

52. In the United States, the Primus Entities maintain 11 bank accounts: one account with Banco Popular in Puerto Rico, one bank account with U.S. Bancorp ("US Bank"), and 9 bank accounts with Bank of America ("BOA").

53. Continued access to the Cash Management System without disruption is critical to the ongoing business of the Applicants.

C. Assets

54. The Primus Entities prepare financial statements on a consolidated basis. As reflected in the unaudited consolidated financial statements of the Primus Entities for the eleven months' ended November 30, 2015, the assets of the Primus Entities had a net book value of approximately \$145 million and consisted of the following:

Cash and equivalents	2,896,794	
Accounts receivable	11,329,605	
Prepaid expenses	2,280,362	
Inventory, deposits and other receivables	1,649,540	
Total Current Assets	\$18,156,301	
Capital assets		26,958,328
Goodwill and other intangibles		98,596,009
Restricted cash		295,000
Deferred charges		1,142,342
		<u>126,991,680</u>
Total Assets		\$145,147,981

55. Capital assets include network infrastructure equipment and associated installation costs; software and associated development costs; fiber optic network capacity that the Primus Entities own; capital costs associated with leasehold improvement work; equipment used for voice telecommunications services; infrastructure equipment for the US network; equipment provided to customers for rent; computers; office equipment and phone systems; and automobiles.

56. The "Goodwill and other intangibles" line item represents intangible assets and consists of goodwill, brand and customer list intangibles, at 43%, 21% and 36% respectively.

57. The principal debt obligations of the Primus Entities are described in more detail below.

D. Current Liabilities

58. As of November 30, 2015, the Primus Entities had liabilities on a consolidated basis totalling \$100,972,326. The principal debt obligations of the Primus Entities are described in more detail below.

59. In addition to the principal debt obligations as at November 30, 2015, the Primus Entities had approximately \$30,386,172 of other current liabilities, including:

Accounts payable	7,887,868
Accrued liabilities	7,483,255
Income taxes payable	(23,336)
Deferred revenue	6,097,555
Other current liabilities	8,940,829
<u>Total Current Liabilities</u> ⁶	<u>\$30,386,172</u>

Credit Agreement

60. Primus Canada is indebted to the Bank of Montreal ("BMO"), HSBC Bank Canada ("HSBC") and ATB Corporate Financial Services ("ATB", and together with BMO and HSBC, the "Syndicate"), in the amount of \$40,700,000 pursuant to a Credit Agreement dated July 31, 2013, such credit agreement as amended by an amending agreement (the "Amending Agreement") dated September 23, 2014 (the "Credit Agreement"). The Credit Agreement matures on July 31, 2017.

Secured Debt

61. The Credit Agreement is comprised of two main credit facilities (the "Facilities"). Facility A is a secured revolving credit facility under which Primus Canada can draw up to

⁶ Excluding secured debt.

\$10,000,000 for general working capital purposes, subject to a borrowing base calculation. Facility B is a secured non-revolving credit facility under which the Syndicate made one advance to Primus Canada in the amount of \$60,000,000. The Primus Entities also have a “swingline” facility under the Credit Agreement pursuant to which they have drawn a letter of credit in the approximate amount of \$295,000 in relation to their tenancy at the customer support centre in Ottawa, Ontario

62. Under the Credit Agreement, Primus Canada has granted comprehensive first-ranking security to BMO as administrative agent of the Syndicate over all of its assets pursuant to, among other things, a general security agreement.

63. Primus Canada’s obligations under the Credit Agreement are guaranteed by all of the Primus Entities. Such guarantees are also secured by substantially all of the assets of the Primus Entities pursuant to, among other things, general security agreements and a deed of hypothec, with (a) *Personal Property Security Act* (“PPSA”) filing statements registered in the following jurisdictions: Holdco (Ontario); Primus Canada (British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Quebec); and Lingo (Ontario); and (b) UCC registrations in the following jurisdictions: Primus Canada (District of Columbia); PTUS (Delaware); Primus US (Delaware); and Lingo (Delaware).

64. Counsel to the Monitor is in the process of completing a review of the security granted to the Syndicate and expects to be in a position to deliver an opinion on the validity and enforceability of such security shortly. The Monitor will report on such security opinion in due course.

65. In an event of default under the Credit Agreement, any credit issued under the Facilities becomes due and payable upon written notice to Primus Canada

66. Primus Canada is also a counterparty to three swap agreements (together, the “Swap Agreements”) with the Syndicate lenders HSBC, ATB and BMO (each being a “Swap Bank” and together, the “Swap Banks”) in the approximate amount of \$20,250,000. While each agreement is distinct, the terms of each are virtually identical. Under the Swap Agreements, Primus Canada has agreed to pay each Swap Bank a fixed rate of interest (1.97%) on a notional principal amount (which declines over time) on specific dates. Concurrently, each Swap Bank has agreed to make payments based on a floating interest rate to Primus Canada on that same notional principal on the same specified dates for the same specified time period. The Primus Entities’ obligations under the Swap Agreements are secured by the general security agreement.

67. If terminated as at January 14, 2016 under the Swap Agreement, the Swap Banks would be entitled to a payment in the approximate amount of \$375,000 from Primus. The Swap Agreements expire July 31, 2017.

Subordinate Credit Agreement

68. Primus Canada is also indebted to the Manufacturers Life Insurance Company (“Manulife”) and BMO Capital Partners (“BMOCP” and together with Manulife, the “Subordinate Lenders”), in the principal amount of \$20,000,000 (the “Subordinate Debt”) pursuant to a subordinate credit agreement (such credit agreement, as amended, the “Subordinate Credit Agreement”) dated July 31, 2013, as amended by an amending agreement dated September 23, 2014. The Subordinate Credit Agreement matures on July 31, 2018. As of November 30, 2015, Primus Canada is indebted to the Subordinate Lenders in the amount of \$22,971,359.94, inclusive of accrued interest.

69. Under the Subordinate Credit Agreement, Manulife and BMOCP each established a credit facility for Primus Canada in the maximum principal amounts of \$14,600,000 and

\$5,400,000, respectively. Such funds were made available to Primus Canada by way of a single advance.

70. Under the Subordinate Credit Agreement, Primus Canada has granted a security interest to Manulife as collateral agent of the Subordinate Lenders over all of its assets pursuant to, among other things, a general security agreement, which security interest ranks behind the security granted to the Syndicate pursuant to the terms of the Intercreditor Agreement (defined below).

71. Primus Canada's obligations under the Subordinate Credit Agreement are guaranteed by all of the Primus Entities. Such guarantees are also secured by substantially all of the assets of the Primus Entities pursuant to, among other things, general security agreements and a deed of hypothec. In an event of default, any credit issued under the Subordinate Credit Agreement becomes due and payable upon written notice to Primus Canada.

E. Financial Difficulties

72. The Primus Entities have been experiencing and continue to experience severe strains on their cash flow as a result of, among other things, declining revenues, the Primus Entities' customer base transitioning to lower profit margin services and over-leverage. The Primus Entities' significant fixed costs have hindered their ability to quickly and adequately respond to such revenue declines.

73. As a result, the Primus Entities' earnings before interest, taxes, depreciation and amortization ("EBITDA") and net operating profit have deteriorated over the last three years, and continue to deteriorate. While EBITDA has stabilized over the last seven months due to cost management and reduced marketing activities, this level of EBITDA is insufficient to meet the obligations under the secured credit agreements.

Revenue

74. Since 2012, the Primus Entities' revenue has declined an average of 9% per year. The Primus Entities' Canadian residential business, representing approximately 56% of their gross revenue for 2015, has declined an average of 9% year-over-year ("YOY") since 2012.

75. Changing technology and, as a result, consumer behaviour is the primary driver behind the residential sector revenue decline. Advances in network and wireless technology have decreased demand for long-distance and local phone, and pre-paid calling cards (the "Legacy Services"). In addition, rapid growth in the sale of bundled TV, internet, and voice services by the Major Carriers have exerted considerable price pressures on the markets that the Primus Entities compete in.

76. Consumer preferences are shifting towards mobile technology and high-speed internet. The Primus Entities do not have the capability to provide mobile services. The Primus Entities' internet services offered through their co-location sites are primarily limited to lower-speed offerings. As such, the Primus Entities' internet service customers have been rapidly transitioning from higher margin co-location services to materially lower margin re-sell services.

77. The Primus Entities' residential service offering primarily involves the provision of Legacy Services, with high-speed internet services representing a growth offering. In the past, Legacy Services were the Primus Entities' largest revenue generator. Since 2012, however, the Primus Entities' revenue from Legacy Services in Canada has declined 18% YOY and 25% YOY in the United States.

78. Moreover, in 2013, Bell accelerated the promotion of its bundled high-speed internet, TV, and voice service offerings (the "Triple Play" bundle) leading to considerable pricing pressures on the market for such services. The Primus Entities do not offer TV services,

and thus cannot create a bundle offering to compete against the bundled offerings of the Major Carriers.

79. The attraction of new customers in 2014 and Q1 of 2015 has also contributed to the Primus Entities' profitability decline. Each new customer represents additional marketing, hardware and installation costs, as well as staffing costs related to the on-boarding of those customers.

80. It can take up to a year before the costs associated with a new customer are recovered. Therefore, adding new customers to offset the rapidly declining Legacy Services revenues requires significant capital. Due to limits imposed by its capital structure, a lack of new capital availability, and the decline of high profit margin Legacy Services and co-location services revenues, the Primus Entities have had to constrain their customer growth initiatives.

81. As a result of the decline in demand for Legacy Services, the Primus Entities' inability to offer mobile services and their inability to compete with Bell's Triple Play bundle (or similar bundles offered by the other Major Carriers), the Primus Entities' gross revenue decreased from \$229,024,000 in the fiscal year ended 2012 ("FY2012") to \$198,511,000 in the fiscal year ended 2013 ("FY2013") and to \$180,078,000 in the fiscal year ended 2014 ("FY2014") and is forecasted to decline to \$165,859,252 in the fiscal year ended 2015 ("FY2015").

Expenditures

82. The Primus Entities have high fixed overhead costs, which cannot be materially reduced as they relate to functions that are necessary to run the Primus Entities' business. Such costs stem from supporting a national telecommunications infrastructure with the related

engineering and support requirements. Moreover, as the Primus Entities' customer base has been steadily declining, any reductions in overhead costs are outweighed by declining revenue.

83. In order to maintain and grow their service offerings, the Primus Entities incur capital expenditures ("Capex") every year. Such Capex include (i) hardware related to the sales of H-PBX and VoIP; (ii) network and client premises equipment expenditures required to support new customers; (iii) maintenance and replacement of components in network infrastructure; (iv) investment in network and internet delivery infrastructure; (v) capitalized employee and consulting costs associated with network projects; and (vi) maintenance and improvements to the Primus Entities' information systems, software, servers and storage capacity.

84. Over the past four years, the Primus Entities' annual average Capex was \$7,898,993 per year.

85. The Primus Entities are also carrying significant debt service obligations in respect of their secured debt facilities

86. In 2015, the Primus Entities' debt service obligations and capital expenditures totalled approximately \$18,365,182⁷ compared to \$9,871,722 in EBITDA.

EBITDA

87. As a result of the declining Legacy Services revenues, the margin pressures exerted by the Primus Entities' changing revenue mix, and the high up-front costs associated with adding new customers, the Primus Entities' EBITDA declined from \$41,442,000 in FY2012 to \$36,073,000 in FY2014 and \$22,499,000 in FY2014, and \$9,871,722 forecasted in FY2015.

⁷ Debt service obligations (\$12,295,438); capital expenditures (\$6,069,744).

88. This annual downward trend has continued in the current fiscal year as a high volume of new customers were added in the fourth fiscal quarter of 2014 and the first fiscal quarter of 2015. For the first quarter of 2015, EBITDA has declined 89% over the same period in the prior year, from \$7,123,000 to \$753,000. Monthly EBITDA has stabilized at approximately \$1 million per month for the last 9 months of 2015. The stabilized EBITDA is due to the reduction in marketing initiatives resulting in lower volume of new customer sign-ups, and overall cost reduction initiatives.

Net Income/Loss

89. The Primus Entities reported a net loss of \$830,000 in FY 2014, and a forecast a net loss of \$13,078,000 for FY2015.

90. A copy of the Primus Entities' consolidated unaudited financial statements for the eleven months ending November 30, 2015, is attached to the Nowlan Affidavit as **Exhibit B**.

91. A copy of the Primus Entities' consolidated financial statements, prepared on a 13-month rolling basis and current to November 30, 2015 is attached to the Nowlan Affidavit as **Exhibit C**.

92. The Primus Entities have not finalized their FY2015 audited financial statements.

Defaults Under the Credit Agreements

Credit Agreement

93. Under the Credit Agreement, Primus Canada is required to, among other things, maintain certain debt to EBITDA ratios. Under Facility B specifically, Primus Canada is required to, among other things, make quarterly principal repayments in the amount of \$2,250,000 on the last business day of each calendar quarter. Failure to meet these covenants constitutes an event of default.

94. As of late 2014, the Primus Entities have been unable to maintain certain debt to EBITDA ratios specified under the Credit Agreement (the “Credit Agreement Defaults”), and were therefore in default under the Credit Agreement.

95. The Credit Agreement Defaults have placed the Syndicate in a position to declare a “Standstill Period” pursuant to the Intercreditor Agreement. During a Standstill Period, Primus Canada would be prohibited from making any payments due under the Subordinate Credit Agreement, other than reasonable expenses due not in excess of \$100,000.

96. Primus Canada entered into a forbearance agreement with the Syndicate on February 4, 2015 (the “Syndicate Forbearance Agreement”). Under the Syndicate Forbearance Agreement, Primus Canada acknowledged the Credit Agreement Defaults and agreed to provide a revised business plan for fiscal year 2015 and specified financial information. A copy of the Syndicate Forbearance Agreement is attached as **Exhibit D** to the Nowlan Affidavit.

97. The Syndicate Forbearance Agreement expired on February 27, 2015.

98. On February 27, 2015, the Syndicate gave notice to Primus Canada that (i) the Syndicate reserved its rights to take the steps it believes are required to, among other things, realize on its security; (ii) the Syndicate was exercising its right to charge an additional 2% per annum interest on all amounts outstanding under the Credit Agreement; and (iii) Duff & Phelps Canada Restructuring Inc. was to be appointed pursuant to the Credit Agreement as a consultant to review and report the viability of the Primus Entities’ business and strategy going forward on behalf of the Syndicate.

99. As described in greater detail below, on August 31, 2015, following extensive and careful arms-length negotiation commencing in July 2015, Primus Canada entered into a support

agreement with the Syndicate lenders (the “Support Agreement”) further to which the Syndicate agreed to support a sale and investor solicitation process (a “SISP”) on a going concern basis.

Subordinate Credit Agreement

100. Primus Canada has also defaulted under the Subordinate Credit Agreement. Specifically, Primus Canada has not serviced its Subordinate Debt since January 31, 2015, which constitutes a default under section 9.01(b) of the Subordinate Credit Agreement and a cross-default under section 9.01(f) of the Credit Agreement. Primus Canada also did not maintain certain debt to EBITDA ratios specified under section 6.03 of the Subordinate Credit Agreement (together with the section 9.01 defaults, the “Subordinate Credit Agreement Defaults”).

101. Primus Canada entered into a forbearance agreement with the Subordinate Lenders on February 4, 2015 (the “Subdebt Forbearance Agreement”). Under the Subdebt Forbearance Agreement, Primus Canada acknowledged the Subordinate Credit Agreement Defaults and agreed to provide a revised business plan for fiscal year 2015 and specified financial information. Primus Canada further agreed that as a consequence of the Subordinate Credit Agreement Defaults the Subordinate Lenders were entitled to charge an additional 2% interest in accordance with section 9.02 of the Subordinate Credit Agreement, upon written notice of same. A copy of the Subdebt Forbearance Agreement is attached as **Exhibit E** to the Nowlan Affidavit.

102. The Subdebt Forbearance Agreement expired on March 2, 2015. On March 9, 2015, the Subordinate Lenders gave notice to Primus Canada that (i) due to the Subordinate Credit Agreement Defaults, interest on all amounts outstanding under the Subordinate Credit Agreement were accruing interest at a rate of 15% per annum, as of January 31, 2015, in accordance with section 3.06 of the Subordinate Credit Agreement; and that (ii) the Subordinate

Lenders have reserved their rights to take the steps they believe are required to, among other things, realize on their security.

Support Agreement and the SISP

103. As mentioned above, on August 31, 2015, following extensive and careful arms-length negotiations, Primus Canada entered into a support agreement with the Syndicate lenders (the “Support Agreement”) further to which the Primus Entities agreed to conduct and the Syndicate agreed to support a sale and investor solicitation process (a “SISP”) on a going concern basis. A copy of the Support Agreement is attached as **Exhibit F** to the Nowlan Affidavit.

The Support Agreement

104. The Primus Entities elected to pursue the SISP outside of CCAA proceedings out of concern that, among other things, a prolonged period under CCAA protection necessary to implement a post-CCAA filing sales process would have a serious and detrimental impact on the Primus Entities’ business and its customers which could diminish the value of the business as a whole. The bargain reflected in the Support Agreement was a product of a meticulous balancing of interests of Primus Entities’ various stakeholders, the result of which was to allow the Primus Entities to implement its proposed restructuring strategy (i.e., the SISP) as a going concern while preserving the position of the Syndicate Lenders and the Primus Entities’ other stakeholders if the SISP did not, ultimately, result in any restructuring transaction(s).

105. Under the Support Agreement, the Syndicate lenders agreed among other things, to:

- (a) a standard forbearance in exercising their rights and remedies as creditors;
- (b) a series of particular covenants to support the implementation and execution of the SISP, including not to take any action inconsistent with

the Support Agreement or that would frustrate the consummation of any SISP transaction(s);

- (c) support the approval of any SISP transaction(s) as promptly as practicable if the transaction is acceptable to the Syndicate lenders and BMO, in its capacity as administrative agent to the Syndicate, acting reasonably; and
- (d) not to propose, vote for or otherwise support alternative arrangements under the CCAA, the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 or otherwise (thereby circumventing the SISP at a sensitive time).

106. In exchange, Primus Canada agreed, among other things:

- (a) to certain reporting and monitoring requirements, particularly with regard to the progress of the SISP;
- (b) not to materially increase compensation, severance or other benefits payable to their employees except in accordance with the terms of the key employee retention plan ("KERP") in the form attached to the Support Agreement⁸;
- (c) to adhere to an ongoing business plan, with reference to a particular cash flow projection and with detailed reporting obligations; and
- (d) to implement the SISP for the purpose of identifying one or more purchasers of and/or investors in the Primus Entities' business with a targeted completion date for a transaction of December 31, 2015.

107. All material decisions with respect to the SISP (including whether to enter into a transaction and which one to enter into) remained exclusively within the sole discretion of the boards of the Primus Entities (and concomitantly their current management) to be made in accordance with their fiduciary duties with respect to securing the best available strategic alternative for the Primus Entities.

108. The timeline for implementing the SISP was set out in section 5 of the Support Agreement (each step being designated a "Milestone", the execution of which was an essential

⁸ The Primus Entities have entered into KERPs with 8 people, each of whom are critical to the strategic, day-to-day operations and management of the Primus Entities and/or the smooth execution and implementation of the SISP. The KERPs provide for future potential payments to the KERP participants in the maximum aggregate amount of \$500,000.

precondition to the continuance of the Support Agreement). Pursuant to the Support Agreement, Primus Canada covenanted to:

- a. Commence marketing to prospective financiers, investors and/or purchasers (together, with others expressing a similar interest, the potential "Interested Parties") on or before September 1, 2015;
- b. Be in receipt of one or more Phase I Bids (which is defined as an original executed copy of a comprehensive non-binding letter of intent) on or before October 1, 2015;
- c. Be in receipt of one or more Phase II Bids (which is defined as a comprehensive, final and binding proposal) on or before November 2, 2015;
- d. Enter into a binding agreement(s) with the "Successful Bidder(s)" (a bidder whose Phase I Bid was, ultimately, accepted and with whom the Primus Entities seeks to consummate a transaction) on or before November 30, 2015; and
- e. Close all agreements and transactions with the Successful Bidder(s) On or before December 31, 2015.

109. The failure to meet any of the Milestones set out above was a "Triggering Event" within the meaning of section 8 of the Support Agreement, which entitled any Syndicate lender to terminate the Support Agreement. As a result, continued and ongoing adherence to the Milestones was a necessary precondition for successfully implementing the SISP (and thereby facilitating a successful restructuring).

110. However, it was also understood that the Milestones and procedures could be amended at any time by mutual agreement should there be sufficient rationale that such amendments would be to the mutual benefit of the parties to the Support Agreement and other stakeholders of the Primus Entities.

111. On October 30, 2015, Primus Canada and the Syndicate lenders entered into an agreement (the "First Amending Agreement") extending the SISP timeline originally provided

for in the Support Agreement to allow Primus Canada to be in receipt of one or more Phase II Bids on or before November 16, 2015 and to enter into a binding agreement(s) with the Successful Bidder(s) on or before December 14, 2015. The First Amending Agreement is attached as Exhibit G to the Nowlan Affidavit.

112. The Milestones in the Support Agreement were extended in accordance with its terms, in part, to provide potential SISP bidders with further time to complete all required due diligence and otherwise to ensure their bids could be turned into executable transactions in compliance with the SISP.

113. The SISP timeline was further extended pursuant to a second agreement (the "Second Amending Agreement"), which allowed the Primus Entities: (i) to be in receipt of one or more Phase II bids on or before December 23, 2015; (ii) enter into a binding agreement with the Successful Bidder(s) on or before January 19, 2015; and (iii) close all agreements and transactions on or before February 29, 2016.

The SISP

114. Further to the timeline and conditions set out in the Support Agreement (and as will be described in greater detail in the Primus Entities' materials to be filed in support of a motion (the "Sale Approval Motion") to approve, *inter alia*, a sale of the Primus Entities' assets (if this Court grants the Initial Order sought herein)), the Primus Entities commenced the SISP in September 2015.

115. Following a competitive selection process, Origin Merchant Partners ("Origin") was engaged by Primus Canada to act as a financial advisor pursuant to an engagement letter dated August 7, 2015 (the "Engagement Letter") and commenced solicitation of potentially interested parties.

116. As a result of the efforts of the Primus Entities, Origin and other advisors, six interested parties emerged and submitted Phase I Bids. Three parties ultimately submitted comprehensive, final and binding offers.

117. A period of extensive and intensive arm's length negotiations followed the receipt of offers, each of which were evaluated in accordance with the criteria enumerated in the SISP. Ultimately, the bid by Birch Communications Inc. ("Birch Communications") was determined to be the Successful Bid.

118. An essential precondition to the contemplated Asset Purchase Agreement ("APA") between the Primus Entities and Birch Communications (in this capacity, the "Purchaser") was the expeditious application to this Court for the Initial Order sought herein.

119. In advance of filing for CCAA protection, and in order to comply with the provisions of the Support Agreement detailed above, the parties entered into two preliminary agreements:

- a. First, on December 18, 2015, the Primus Entities entered into an Escrow Agreement with the Purchaser and FTI (as escrow agent), whereby \$2,000,000 would be deposited into an escrow account in contemplation of entering into the aforementioned APA to be released as part of the closing thereof; and
- b. Second, on December 22, 2015, the Primus Entities entered into an exclusivity letter agreement with the Purchaser whereby the Primus Entities agreed to terminate any existing discussions with any third party, and not to solicit, encourage or otherwise commence or continue discussions with, or provide any information to, any third party, regarding the sale to any such third party of all or any of the Purchased Assets (as defined in the APA) or any investment or other participation by any such third party in any of the business, enterprise, securities, assets or properties of any of the Primus Entities. The exclusivity letter agreement was a condition precedent to the Purchaser pursuing the sale transaction contemplated in the APA.

120. After extensive deliberations and consultations with their professional advisors, the Primus Entities concluded, further to and on the basis of their commercial and business judgement, that the transaction contemplated in the APA represented the best offer available to them in the circumstances and that proceeding with such transaction was in the best interest of stakeholders.

The Sale Transaction

121. The Primus Entities and the Purchaser executed and delivered a definitive version of the APA dated January 18, 2016, subject to Court approval. Further details and a copy of the APA will be served and filed with the Primus Entities' motion materials to approve same.

122. The essential terms of the definitive version of the APA and the Sale Transaction contemplated therein are as follows:

- a. The Purchaser will acquire substantially all of the business, assets and operations of the Primus Entities, including principally all of their patents, patent applications, trademarks and domains ("Purchased Assets" and "Purchased Intellectual Property" respectively, and as set out in Schedule "A" and "H" to the APA) but excluding any shares and other securities owned by any Primus Entity ("Excluded Assets", set out in Schedule "D" to the APA) on an "as is, where as" basis as existing at "Closing Time" (as defined in the APA and subject to representation and warranties therein);
- b. The aggregate purchase price ("Purchase Price") payable to the Primus Entities is calculated on the basis of the Purchase Price formula set out further to sections 3.1 and 3.7 of the APA, consisting of the following:
 - i. The "Base Purchase Price" of \$44 million (as the term is defined in the APA and as adjusted in accordance with the formula set out therein);
 - ii. Less certain Cure Costs (as defined in the APA); and
 - iii. Less certain other amounts payable that do not constitute Cure Costs in respect of "Essential Contracts" (as defined in the APA).
- c. The Purchaser may, in its sole discretion, offer employment to any or all active and inactive Primus Entity employees (collectively "Transferred Employees") conditional on "Closing" (as each is defined in the APA);

- d. The Purchaser will assume, perform, discharge and pay the obligations of the Primus Entities (“Assumed Obligations”) set out in section 2.5 of the APA, including, but not limited to, the following:
 - i. all debts, liabilities and obligations under an “Assumed Contract” assigned or transferred to the Purchaser on Closing for the period from and after Closing Time, provided that such debts, obligations or liabilities do not arise from or are due or attributable to:
 - 1. any default existing or breach by any Primus Entity occurring prior to or as a consequence of Closing, or
 - 2. any default, breach or violation of any Primus Entities’ of any term or condition of the APA;
 - ii. all debts, liabilities and obligations for which the Purchaser is responsible in respect of Transferred Employees as per the APA.

123. The Purchaser may terminate the APA, in its sole and absolute discretion, if this Court orders a post-filing sales process or it may elect not to terminate the APA and have it serve as a the stalking horse offer in such post-filing sales process with customary stalking horse protections, in accordance with the terms of the exclusivity letter arrangement (which are to include, without limitation, a 3% break-free to be paid from the proceeds of any overbid in favour of the Purchaser), subject to court approval.

124. Subject to obtaining the Initial Order being sought herein, the Primus Entities intend to return to this Court to seek approval of the APA and various ancillary relief, including, if necessary, the assignment of certain agreements to the extent that necessary consents to such assignments are not obtained prior to the date of the motion.

F. The Canadian Proceeding

125. Defaults under the Credit Agreement or the Subordinate Credit Agreement allow the Syndicate or Subordinate Lenders, respectively, to exercise certain remedies, including acceleration of payment of all amounts due under their agreement. Primus Canada does not have

sufficient liquidity to satisfy the accelerated payment obligations arising from an event of default under either agreement.

126. The Syndicate lenders require the Primus Entities to proceed expeditiously with obtaining approval and implement the APA and have indicated that they will not extend the forbearance under the Support Agreement otherwise.

127. Without forbearance, the Primus Entities cannot meet their liabilities as they come due and do not have sufficient cash to service their debt obligations. As such, the Primus Entities are insolvent. Therefore, the Primus Entities required CCAA protection to implement sales of their assets for the benefit of their stakeholders.

128. On January 18, 2016 the boards of the Debtors authorized the CCAA filing.

129. On January 19, 2016, an Order was entered in the Canadian Proceeding appointing FTI as Monitor and authorized Foreign Representative for the Debtors. As indicated above, a certified copy of the Order appointing the Foreign Representative (the “Initial CCAA Order”) is attached hereto as Exhibit A.

130. The Initial CCAA Order specifically contemplates the institution of these chapter 15 proceedings by the Foreign Representative.

131. At this time, however, the Foreign Representative is only seeking recognition of the Initial CCAA Order under chapter 15 of the Bankruptcy Code.

132. Subject to obtaining the recognition being sought herein, the Debtors intend to return to the Canadian Court to seek approval of the APA and vesting of all of the Purchased Assets in the Purchaser (as defined in the APA), free and clear, (the “Canadian Approval & Vesting Order”) and various ancillary relief, including, if necessary, the assignment of certain

agreements to that necessary consents to such assignments are not obtained prior to the date of the motion.

133. Subject to obtaining the Canadian Approval & Vesting Order in accordance with the requirements of Canadian Law, the Debtors intend to return to this Court to seek recognition of the Canadian Approval & Vesting Order in accordance with the requirements of chapter 15 of the Bankruptcy Code.

NEED FOR PROVISIONAL RELIEF

134. Recognition of the Canadian Proceeding under chapter 15 of title 11 of the United States Code (the "Bankruptcy Code"), and provisional relief pending a final recognition hearing will best assure an economical and equitable administration of the Debtors' foreign estate. Immediate relief is sought in order to preserve and protect the Debtors' assets and prevent harm to the Debtors' creditors while preventing the Debtors from running afoul of any United States Courts. If injunctive relief is not granted, the Debtors' creditors are likely to take actions that would disrupt the orderly administration of the Debtors' estate, leading to conflict between the United States and the Canadian Court and, at a minimum, overly burden the sale process. Moreover, if the provisional relief is not granted, the Debtors are exposed to an imminent risk that suppliers will terminate supply agreements that may put the going concern sale in jeopardy. Also, the relief is necessary as there is a material risk that parties in the United States will take steps that will cause harm to the Debtors' ability to complete a sale of the Primus Entities' business and assets for the benefit of all of the Debtors' creditors. The chapter 15 proceedings are intended to stabilize the business and prevent termination of agreements in order for me to perform my court-appointed duties to complete the contemplated sale transaction.

135. Granting the relief sought herein will best assure an economical, expeditious and

equitable administration of the Debtors' estate. Moreover, rather than exposing the Debtors and its assets to litigation that could lead to piecemeal distribution of its assets, as well as additional costs and distraction from the administration of the estate, the Debtors will be afforded the "breathing room" to conduct an orderly sale of the Primus Entities' business.

136. As set forth in the Petition for Recognition, the Primus Entities are the subject of a "foreign proceeding" within the meaning of Section 101(23), which is a "foreign main proceeding" within the meaning of section 1502(4) of the Bankruptcy Code. Further, the Petitioner is a "foreign representative" within the meaning of Section 101(24) of the Bankruptcy Code.

137. The Debtors are entitled to obtain the provisional relief requested pursuant to Sections 105(a) and 1519 of the Bankruptcy Code. Pursuant to Sections 105(a) and 1519, injunctive relief in the form requested is in the best interest of the Debtors and their creditors and may be issued on a temporary basis without notice.

138. In contrast to the potential harm described above, granting the relief requested will not prejudice any persons subject to the injunctive relief. It is important to note that the Foreign Representative is only seeking to ensure that parties are enjoined from circumventing the Canadian Proceeding and from taking actions in the United States that could prove wasteful of the time and effort of United States courts as well as all interested parties.

REQUESTS FOR RECOGNITION AND RELATED RELIEF⁹

139. In connection with the filing of these chapter 15 cases, the Debtors have submitted the Petition for Recognition, the Emergency Motion for Temporary Restraining Order, and After Notice and Hearing, a Preliminary Injunction, Pursuant to Bankruptcy Code Sections

⁹ Capitalized terms used but not otherwise defined in this section have the meanings ascribed to them in the relevant First Day Papers.

105(a), 362, 1507, 1519, and 1521 (the “Provisional Relief Motion”), the Motion of Foreign Representative Requesting Joint Administration of the Debtors’ chapter 15 Cases for Procedural Purposes Only (the “Joint Administration Motion”), and the Motion for Order Scheduling Hearing on Verified Petition Under chapter 15 for Recognition of Foreign Main Proceeding and for Additional Relief and Assistance Under Bankruptcy Code Sections 105(a), 1507, and 1521, and Specifying Form and Manner of Service of Notice of Hearing (the “Notice Procedures Motion”). In addition to the facts set forth above, factual bases for relief under each of these motions is set forth below. I believe, after consultation with counsel, that the relief requested by each of the motions is necessary to protect the Debtors’ assets, maximize value for all of the Debtors’ creditors and properly administer these proceedings.

A. *Petition for Recognition and Provisional Relief Motions*

140. Concurrently herewith, the Foreign Representative filed the Petition for Recognition Motion and the Provisional Relief Motion seeking (a) entry of the Provisional Order: (i) recognizing the Initial CCAA Order and the Canadian stay of proceedings, (ii) applying section 362 of the Bankruptcy Code in these chapter 15 cases on an interim basis pursuant to sections 1519(a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code, and (iii) granting such other and further relief as the Court deems just and proper; and (b) entry of the Final Order: (i) granting the petitions in these cases and recognizing the Canadian Proceeding as a foreign main proceeding pursuant to section 1517 of the Bankruptcy Code, (ii) giving full force and effect in the United States to the Initial CCAA Order, including any extensions or amendments thereof authorized by the Canadian Court and extending the protections of the Provisional Order to the Debtors on a final basis, and (iii) granting such other and further relief as the Court deems just and proper.

141. As detailed more fully in the Petition for Recognition Motion and based upon my understanding of the facts set out above, I believe that there is a compelling case for recognition of the Canadian Proceeding as a foreign main proceeding. I have been advised by counsel that the Canadian Proceeding is a “foreign proceeding” and that the Foreign Representative is a “foreign representative,” as those terms are defined in the Bankruptcy Code. I have been further advised that these cases were duly and properly commenced by filing the Petitions for Recognition accompanied by all fees, documents, and information required by the Bankruptcy Code and the Bankruptcy Rules.

142. Counsel for the Foreign Representative has also advised me that the stay of proceedings is one of the most fundamental protections provided by the Bankruptcy Code. I have been advised that it halts all collection efforts, harassment, and foreclosure actions against debtors and provides them with necessary breathing room to step back from and attempt to resolve the financial pressures that caused their bankruptcy filing. Here, the immediate imposition of the automatic stay pursuant to the Provisional Order is necessary given that, among other things, the Debtors are exposed to an imminent risk that counter-parties, including vendors will seek to terminate agreements, which would jeopardize the potential going concern sale in the Canadian Proceeding.

143. In contrast, I believe that the Debtors’ creditors will suffer little, if any, harm as a result of the requested provisional relief as such relief will merely preserve the *status quo* and enable the Debtors to continue to orderly carry out their operations during the short time necessary for the Court to rule on the Petitions for Recognition. As set out above, I believe that granting the request for provisional relief will benefit the Debtors’ creditors because it will ensure that the value of the Debtors’ assets and business are preserved and maximized.

144. I can attest that the Canadian Proceeding is pending in Canada and Canada is the center of each of the Company's main interests. As set forth above, the Debtors are headquartered in Toronto, Ontario, Canada, with offices located across Canada. The Debtors share networks, platforms, infrastructure and personnel, including senior management. A significant majority of the Primus Entities' revenue comes from its Canadian operation and the overwhelming majority of their customers reside in Canada as set out above and particularized in more detail in the Nowlan Affidavit.

145. Finally, as described in the Petition for Recognition Motion, and as discussed with counsel, I understand and believe that recognizing the Canadian Proceeding as a foreign main proceeding and granting the relief requested therein on a final basis is consistent with the purposes of chapter 15 of the Bankruptcy Code and public policy of the United States.

146. Therefore, I believe that the provisional and final relief requested in the Petition for Recognition and Provisional Relief Motions is necessary and appropriate and is in the best interests of the Debtors, their creditors, and other parties in interest.

B. *Joint Administration Motion*

147. The Foreign Representative has also filed, concurrently herewith, the Joint Administration Motion seeking entry of an order directing joint administration of these chapter 15 cases for procedural purposes only, and providing that parties in interest shall use a consolidated caption to indicate that any pleading filed relates to the jointly administered chapter 15 cases.

148. I believe that joint administration of these chapter 15 cases is warranted because the Debtors' financial affairs and business operations are closely related and because it will ease the administrative burden of these cases on the Court and interested parties. I can confirm that

the Foreign Representative anticipates that the various notices, motions, hearings, orders, and other pleadings in these cases will affect all of the Debtors. I believe that the failure to jointly administer these cases would result in numerous duplicative pleadings filed for each issue and served upon separate service lists. I also believe that such duplication of substantially identical documents would be wasteful and would unnecessarily burden the Clerk of the Court (the "Clerk").

149. Moreover, I have been advised that joint administration will permit the Clerk to use a single docket for all of the Debtors' cases and to combine notices to creditors and other parties in interest. As of the date hereof, the Monitor has established a case website with the following URL '<http://cfcanada.fticonsulting.com/primus>' (the "Case Website"). I have further been advised that joint administration will protect parties in interest by ensuring that they will be apprised of the various matters before the Court, including, by reference to the Case Website. I believe that the proposed caption set forth in the Joint Administration Motion should be approved as the modified caption for these chapter 15 cases.

150. I believe that the rights of the respective creditors of each of the Debtors will not be adversely affected by joint administration of these cases in as much as the relief sought in the Joint Administration Motion is purely procedural and not intended to affect substantive rights. I have been advised that each creditor and party in interest will maintain whatever rights it has against the particular Debtor against which it allegedly has a claim or right. I have also been told by my counsel that the rights of all creditors will be enhanced by the reduction in costs resulting from joint administration. Finally, I have been advised that if the requested relief is granted, the Court and the Clerk will be relieved of the burden of entering duplicative orders and keeping duplicative files, and supervision of the administrative aspects of these cases by the Office of the

United States Trustee for the District of Delaware will be simplified.

151. Therefore, I believe that the relief requested in the Joint Administration Motion is necessary and appropriate and is in the best interests of the Court, the Debtors, their creditors, and other parties in interest.

Notice Procedures Motion

152. Concurrently herewith, the Foreign Representative has also filed the Notice Procedures Motion seeking the entry of an order approving (a) the form of notice (the "Recognition Hearing Notice") of (i) the chapter 15 petitions, (ii) the entry of the Provisional Order, (iii) the deadline to object to the proposed Final Order, and (iii) the Recognition Hearing and the manner of service of the Recognition Hearing Notice.

153. I can attest that the Debtors have hundreds of potential creditors and other parties in interest, all of whom need to be provided with, among other things, notice of the Provisional Order, the proposed Final Order, the Recognition Objection Deadline, and the Recognition Hearing. Under the facts and circumstances of the Debtors' chapter 15 cases, I submit that service of the Recognition Hearing Notice in the manner set out in the Recognition Hearing Notice will provide the Notice Parties with due and sufficient notice of the relief requested in the Recognition and Relief Motion and associated objection deadline and hearing dates.

154. Furthermore, I believe that the Recognition Hearing Notice provides multiple efficient ways for any party receiving such notice to obtain copies of pleadings filed in these chapter 15 cases, as it provides a link to the Case Website as well as contact information that can be used to obtain critical documents including the Recognition Motion, the Provisional Order, the Trustee Order, and the proposed Final Order. Additionally, I believe that service by the

Foreign Representative of notices of the availability of each pleading that it files in these cases on the Case Website, by United States or Canadian mail, first class postage prepaid, on the Master Service List is an efficient and effective way to provide notice to such key parties in these cases and the Canadian Proceeding. At the same time, I believe that it will not overburden the Foreign Representative with the significant costs associated with copying and mailing all the various documents filed in these cases to the entire matrix of putative creditors and other parties.

155. Therefore, I believe that the relief requested in the Notice Procedures Motion is necessary and appropriate and is in the best interests of the Court, the Debtors, their creditors, and other parties in interest.

NO PRIOR REQUEST

156. No prior application for any of the above relief has been made.

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I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed at Toronto, Ontario on January 19, 2016.



Nigel D. Meakin
Senior Managing Director
FTI Consulting Canada Inc., in its capacity as
authorized Foreign Representative of **PT Holdco,**
Inc., Primus Telecommunications Canada, Inc.,
PTUS, Inc., Primus Telecommunications, Inc.,
and **Lingo, Inc.**

EXHIBIT A

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE

LA PRESENT ATTESTE QUE CE DOCUMENT, DONT CHACUNE DES PAGES EST REVETUE DU SCEAU DE LA COUR SUPERIEURE DE JUSTICE A TORONTO, EST UNE COPIE CONFORME DU DOCUMENT CONSERVE DANS CE BUREAU

CV-16-11257-00CL

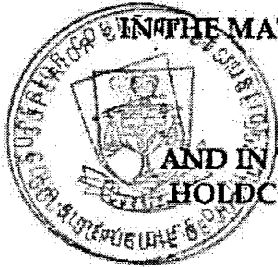
Court File No.

DATED AT TORONTO THIS 19th DAY OF January 2016
FAIT A TORONTO LE 19th JOUR DE January 2016


REGISTRAR Registrar GREFFIER

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.) TUESDAY, THE 19th
JUSTICE PENNY) DAY OF JANUARY, 2016



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 PT HOLDCO, INC., PRIMUS TELECOMMUNICATIONS CANADA, INC., PTUS, INC., PRIMUS TELECOMMUNICATIONS, INC., AND LINGO, INC

INITIAL ORDER

THIS APPLICATION, made by PT Holdco, Inc. ("Holdco"), Primus Telecommunications Canada Inc. ("Primus Canada"), PTUS, Inc. ("PTUS"), Primus Telecommunications, Inc. ("PTI") and Lingo, Inc. ("Lingo", and together with PTUS, PTI, Holdco and Primus Canada, the "Applicants"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Michael Nowlan sworn January 18, 2016 and the Exhibits thereto (the "Nowlan Affidavit"), the Pre-Filing Report of FTI Consulting Canada Inc., as proposed monitor, (the "Pre-Filing Report") and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants and the proposed Monitor, no one appearing for any other party although duly served as appears from the affidavit of service filed, and on reading the consent of FTI Consulting Canada Inc. to act as the Monitor,

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE

LA PRÉSENT ATTESTE QUE CE DOCUMENT, DONT CHACUNE DES PAGES EST REVÊTUE DU SCEAU DE LA COUR SUPÉRIEURE DE JUSTICE À TORONTO, EST UNE COPIE CONFORME DU DOCUMENT CONSERVÉ DANS CE BUREAU

DATED AT TORONTO THIS 19th DAY OF January 20 16
 FAIT À TORONTO LE 19 JOUR DE JANVIER 20 16

SERVICE

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

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "Business") and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicants shall be entitled to continue to utilize the central cash management system currently in place as described in the Nowlan Affidavit or replace it with another substantially similar central cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management

System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. THIS COURT ORDERS that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee benefits (including, without limitation, any amounts relating to the provision of employee medical, dental and similar benefit plans or arrangements), vacation pay and expenses, and similar amounts owed to independent contractors, payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) all outstanding and future insurance premiums (including property and casualty, group insurance policy, director and officers liability insurance, or other necessary insurance policy);
- (c) all outstanding or future amounts owing in respect of customer rebates, refunds, discounts or other amounts on account of similar customer programs or obligations other than any refunds arising as a result of termination or cancellation of customer agreement or services; and
- (d) the reasonable fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course out the provisions of this Order, which expenses shall include,

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 FAIT À TORONTO LE JOUR DE

REGISTRAR _____ GREFFIER _____

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. THIS COURT ORDERS that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

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9. THIS COURT ORDERS that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise

may be negotiated between the Applicants and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. THIS COURT ORDERS that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. THIS COURT ORDERS that the Applicants shall, subject to such requirements as are set forth in the CCAA, have the right to:

permanently or temporarily cease, downsize or shut down any of their business or operations, and to dispose of redundant or non-material assets not exceeding \$100,000 in any one transaction or \$1,000,000 in the aggregate.

(b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate; and

pursue all avenues of refinancing of their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or sale,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "Restructuring").

12. THIS COURT ORDERS that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the

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landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicants' claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

14. THIS COURT ORDERS that until and including February 18, 2016, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the

foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

17. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, credit card services provided by Chase Paymentech Solutions, Inc. or other credit card processors, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants without having to provide any security deposit or any other security in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

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NON-DEROGATION OF RIGHTS

18. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

20. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

21. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "D&O Charge") on the Property, which charge shall not exceed an aggregate amount of \$3.1 million, as security for the indemnity provided in paragraph 20 of this Order. The D&O Charge shall have the priority set out in paragraphs 32 and 34 herein.

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22. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the D&O Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 20 of this Order.

APPOINTMENT OF MONITOR

23. THIS COURT ORDERS that FTI Consulting Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall cooperate fully with the Monitor in the exercise of their powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

24. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) liaise with Assistants, to the extent required, with respect to all matters relating to the Property, the Business and such other matters as may be relevant to the proceedings herein;
- (c) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (d) advise the Applicants in their preparation of the Applicants' cash flow statements;
- (e) advise the Applicants in their development of the Plan and any amendments to the Plan;

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- (f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
 - (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- assist the Applicants, to the extent required by the Applicants, with their restructuring activities and/or any sale of the Property and the Business or any part thereof;
- be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- hold and administer funds in accordance with arrangements among any of the Applicants, any Person and the Monitor, or by Order of this Court; and
- (k) perform such other duties as are required by this Order or by this Court from time to time.

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25. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

26. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario*

Water Resources Act, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

27. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants are confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

28. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, including for greater certainty in the Monitor's capacity as "foreign representative", save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

29. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to or subsequent to the date of this Order, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis and, in addition, the Applicants are hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicants, retainers in the amounts of \$1,000,000 to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

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<p>DATED AT TORONTO THIS 20 DAY OF January 20 16</p>	<p>FAIT À TORONTO LE 20 JOUR DE Janvier 20 16</p>
<p>REGISTRAR</p>	<p>GREFFIER</p>

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30. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and their legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

31. THIS COURT ORDERS that the Monitor, Canadian and US counsel to the Monitor, and the Applicants' Canadian and US counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$1,000,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 32 and 34 herein.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

32. THIS COURT ORDERS that the priorities of the Administration Charge and the D&O Charge, as among them, shall be as follows:

First - Administration Charge (to the maximum amount of \$1,000,000); and

Second - D&O Charge (to the maximum amount of \$3,100,000).

33. THIS COURT ORDERS that the filing, registration or perfection of the Administration Charge and the D&O Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

34. THIS COURT ORDERS that each of the Administration Charge and the D&O Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person that has not been served with notice of this order.

35. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants

also obtain the prior written consent of the Monitor, and the beneficiaries of the Administration Charge or the D&O Charge, as applicable, or further Order of this Court.

36. THIS COURT ORDERS that the Administration Charge and the D&O Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicants pursuant to this Order, , and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

37. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

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DATED AT TORONTO THIS 19th DAY OF January 20 16
 FAIT À TORONTO LE 19th JOUR DE January 20 16

REGISTRAR _____ GREFFIER _____

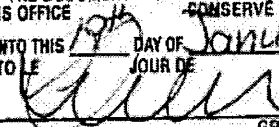
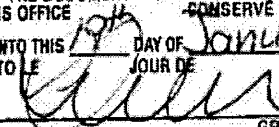
CHAPTER 15 PROCEEDINGS

38. THIS COURT ORDERS that the Monitor is hereby authorized and empowered, but not required, to act as the foreign representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside of Canada including, if deemed advisable by the Monitor, to apply for recognition of these proceedings in the United States pursuant to Chapter 15 of Title 11 of the United States Code, 11 U.S.C. §§ 101- 1532 and to take such other steps as may be authorized by the Court and any ancillary relief in respect thereto.

SERVICE AND NOTICE

39. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in the Globe & Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner (provided that the list shall not include the names, addresses or estimated amounts of the claims of those creditors who are individuals or any personal information in respect of an individual), all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

40. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL '<http://cfcanada.fticonsulting.com/primus>'.

<p>THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE</p> <p>DATED AT TORONTO THIS 19th DAY OF January 2016 FAIT A TORONTO LE 19th JOUR DE</p>	<p>LA PRÉSENT ATTEST QUE CE DOCUMENT, DONT CHACUNE DES PAGES EST REVÊTUE DU Sceau de la Cour Supérieure de Justice à Toronto, est une copie conforme du document conservé dans ce bureau</p> <p>19th January 2016 JOUR DE</p>
	
REGISTRAR	GREFFIER

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE. DATED AT TORONTO THIS 17TH DAY OF JANUARY 2016.

LA PRÉSENT ATTESTE QUE CE DOCUMENT, DONT CHACUNE DES PAGES EST REVÊTUE DU SCEAU DE LA COUR SUPÉRIEURE DE JUSTICE À TORONTO, EST UNE COPIE CONFORME DU DOCUMENT CONSERVÉ DANS CE BUREAU.

[Signature]
 CLERK OF THE COURT / CLERK OF THE COURT

41. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings by any means of ordinary mail, courier, personal delivery or electronic transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

42. THIS COURT ORDERS that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

43. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

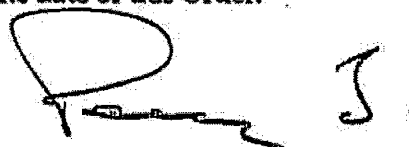
44. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

45. THIS COURT ORDERS that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a

representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

46. THIS COURT ORDERS that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

47. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.



THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE

LA PRÉSENT ATTESTE QUE CE DOCUMENT, DONT CHACUNE DES PAGES EST REVELUE DU SCEAU DE LA COUR SUPÉRIEURE DE JUSTICE À TORONTO, EST UNE COPIE CONFORME DU DOCUMENT CONSERVÉ DANS CE BUREAU

DATED AT TORONTO THIS 19 DAY OF JANUARY 20 16
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JANUARY 20 16

REGISTRAR

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ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JAN 19 2016


Court File No: CV-16-11257-00CL

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 FT HOLDCO, INC., PRIMUS TELECOMMUNICATIONS CANADA, INC., FTUS, INC., PRIMUS TELECOMMUNICATIONS, INC., AND LINGO, INC.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

INITIAL ORDER

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Fax: (416) 947-0866

EXHIBIT B

Court File No. _____

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF PT HOLDCO, INC., PRIMUS TELECOMMUNICATIONS CANADA, INC.,
PTUS, INC., PRIMUS TELECOMMUNICATIONS, INC., AND LINGO, INC.
(Applicants)**

NOTICE OF APPLICATION

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicants. The claim made by the Applicants appears on the following page.

THIS APPLICATION will come on for a hearing on January 19, 2016, at 10:00am, at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date January 19, 2015

Issued by _____
Local registrar

Address of 330 University Avenue,
court office Toronto, Ontario

TO: THE SERVICE LIST

APPLICATION

1. PT Holdco, Inc. ("**Holdco**"), Primus Telecommunications Canada Inc. ("**Primus Canada**"), PTUS, Inc. ("**PTUS**"), Primus Telecommunications, Inc. ("**PTI**") and Lingo, Inc. ("**Lingo**", and together with PTUS and PTI, the "**U.S. Primus Entities**", and collectively with Holdco and Primus Canada, the "**Primus Entities**" or the "**Applicants**") make this application for an Initial Order substantially in the form attached at tab 3 of the Application Record, among other things:

- (a) abridging the time for service of this Notice of Application and dispensing with service on any person other than those served;
- (b) declaring that the Primus Entities are parties to which the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") applies;
- (c) appointing FTI Consulting Canada Inc. as an officer of this Court to monitor the assets, businesses and affairs of the Primus Entities (in such capacity, the "**Monitor**");
- (d) staying all proceedings taken or that might be taken in respect of the Primus Entities, their directors and officers and the Monitor;
- (e) authorizing the Primus Entities to file with this Court a plan of compromise or arrangement;
- (f) restraining all persons having oral or written agreements with the Primus Entities or statutory or regulatory mandates for the supply of goods and/or services to the Primus Entities, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, and, for greater certainty, the credit card

processing services provided by Chase Paymentech Solutions, from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Primus Entities;

(g) granting the following charges over the property of the Primus Entities, to rank behind all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, in favour of any Person that has not been served with notice of this order, including, subject to further Order of this Court :

i. a charge in favour of counsel to the Primus Entities, the Monitor and the Monitor's counsel in the amount of \$1,000,000 (the "Administration Charge") to secure payment of their fees and disbursements incurred in connection with this proceeding; and

ii. a charge to protect the directors and officers of the Primus Entities from certain potential liabilities in the amount of \$3,100,000 million (the "D&O Charge");

(h) authorizing the Monitor to act as the foreign representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including, if deemed advisable by the Primus Entities, to apply for recognition of these proceedings in the United States pursuant to Chapter 15 of the *United States Code*, 11 U.S.C. §§ 101- 1532 and to take such other steps as may be authorized by the Court and any ancillary relief in respect thereto;

(i) granting such further and other relief as this Court may deem just.

2. The grounds for the application are as follows:

The Applicants

- (a) Holdco and Primus Canada are private companies incorporated under the *Business Corporations Act*, RSO 1900, c B 16, with registered head offices in Toronto, Ontario. PTUS, PTI, and Lingo are private companies incorporated under the laws of Delaware, with registered head offices in Wilmington, Delaware;
- (b) Holdco is the principal holding company of the Primus Entities, with PTUS and Primus Canada the wholly owned subsidiaries of Holdco. PTUS is the holding company for PTI and Lingo, which are the Primus Entities' U.S. operating companies. Primus Canada is the Primus Entities' Canadian operating company;
- (c) The Primus Entities carry on business in Canada and the United States re-selling telecommunications services;
- (d) The Primus Entities employ approximately 530 people in Canada and the United States;

The Primus Entities' Financial Difficulties

- (e) The Primus Entities have been and continue to be facing severe liquidity issues due to, *inter alia*, over-leverage, revenue declines and high capital costs. The Primus Entities' significant fixed costs have hindered their ability to respond to such revenue declines;
- (f) As a result of, *inter alia*, the decline in demand for long-distance, local phone, and pre-paid calling cards, and combined with the Primus Entities' inability to offer mobile telephone services and to compete with service bundles, earnings before interest, taxes, depreciation and

amortization ("EBITDA") and net operating profits have deteriorated over the last three years, and continue to deteriorate;

The Primus Entities are Insolvent

- (g) The Primus Entities do not have the liquidity to meet their payment obligations as they become due and they are unable to satisfy the financial covenants set out in their secured credit agreements;
- (h) The Primus Entities have defaulted under these credit agreements which, if enforced, the Primus Entities would not be able to satisfy. The Primus Entities have operated under forbearance agreements in respect of these defaults since February 4, 2015;
- (i) The Primus Entities have been unable to successfully restructure their business and operations outside of formal insolvency proceedings;
- (j) Without protection under the CCAA, a shut-down of operations or the commencement of self-remedy measures by creditors is inevitable, which would be extremely detrimental to the Primus Entities' employees, suppliers, customers, and other stakeholders;

Other Grounds

- (k) The provisions of the CCAA, including ss. 2(1), 3(1), 11.02(3), 11.51, 11.52(2) and 56;
- (l) The inherent and equitable jurisdiction of this Court;
- (m) Rules 2.03, 3.02, 14.05(2), 16 and 38 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and

(n) such further and other grounds as counsel may advise and this court may permit.

3. The following documentary evidence will be used at the hearing of the application:

- (a) the Affidavit of Michael Nowlan sworn January 18, 2015, and the exhibits attached thereto;
- (b) the Pre-Filing Report of FTI Consulting Canada Inc., as proposed Monitor; and
- (c) such further and other evidence as counsel may advise and this Court may permit.

January 19, 2015

STIKEMAN ELLIOTT LLP
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Lawyers for the Applicants

Court File No: _____

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 PT HOLDCO, INC., PRIMUS TELECOMMUNICATIONS CANADA, INC., PTUS, INC., PRIMUS TELECOMMUNICATIONS, INC., AND LINGO, INC.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

NOTICE OF APPLICATION

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TAB 2

Court File No. _____

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF PT HOLDCO, INC., PRIMUS TELECOMMUNICATIONS CANADA, INC.,
PTUS, INC., PRIMUS TELECOMMUNICATIONS, INC., AND LINGO, INC.**

Applicants

**AFFIDAVIT OF MICHAEL NOWLAN
(Sworn January 18, 2016)
(Re CCAA Initial Application)**

I, Michael Nowlan, of the Town of Newmarket, in the Province of Ontario,
MAKE OATH AND SAY:

1. I am the Chief Executive Officer of the Applicants PT Holdco, Inc. ("Holdco"), Primus Telecommunications Canada Inc. ("Primus Canada"), PTUS, Inc. ("PTUS"), Primus Telecommunications, Inc. ("PTI") and Lingo, Inc. ("Lingo", and together with PTUS and PTI, the "U.S. Primus Entities", and collectively with Holdco and Primus Canada, the "Primus Entities" or the "Applicants"). As such, I have knowledge of the matters to which I hereinafter depose, except where otherwise stated. I have also reviewed the records of the Primus Entities and have spoken with certain of the directors, officers and/or employees of the Primus Entities, as necessary, and where I have relied upon such information do verily believe such information to be true.
2. All references to currency in this affidavit are references to Canadian dollars, unless otherwise indicated.

A. INTRODUCTION

3. This affidavit is sworn in support of an application by the Primus Entities for an order (the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).

4. The Primus Entities are also seeking this Court’s authorization to apply for recognition of these CCAA proceedings as a “foreign main proceeding” under Chapter 15 of Title 11 of the United States Code (the “**Bankruptcy Code**”) and authorizing FTI Consulting Canada Inc. (“**FTI**”), if appointed monitor (in such capacity, the “**Monitor**”) in these proceedings, to act as the Applicants’ Chapter 15 “foreign representative”.

5. The Primus Entities carry on business in Canada and the United States re-selling telecommunications services. Primus Canada offers a wide selection of residential and business telecommunications services including: internet, voice over internet protocol (“**VoIP**”)¹, hosted private branch exchange (“**H-PBX**”)², local phone, long distance phone, pre-paid calling cards and wholesale long distance capacity to smaller telecommunications service providers. The U.S. Primus Entities provide digital home phone and other telecommunication services to residential and commercial customers. The Primus Entities do not provide wireless phone services.

6. As described in greater detail below, the Primus Entities, with assistance from their professional advisors, have been and continue to be facing severe liquidity issues due to, among other things, over-leverage, revenue declines and high capital costs. As a result, the Primus Entities have been unable to meet various

¹ “VoIP” refers to the delivery of voice communications and multimedia sessions over Internet Protocol (IP) networks, such as the internet.

² “H-PBX” refers to phone systems that utilize cloud-based technology and allow the host (in this case, the Primus Entities) to centrally manage its customers’ systems, and without a related capital investment by the customer.

financial and other covenants with their secured lenders, do not have the liquidity needed to meet their ongoing payment obligations with their senior secured lenders, have entered into forbearance arrangements with them and began considering restructuring alternatives.

7. As part of their restructuring efforts, the Primus Entities, with assistance from their professional advisors, have conducted a thorough canvass of the market for prospective purchasers of their assets and business which resulted in several offers. One offer to purchase substantially all of the assets of the Primus Entities is considered by the boards of directors of the Primus Entities to be the best in the circumstances.

8. That offer and the resulting APA (as defined and described in greater detail below) is conditional upon a CCAA filing and Court approval. The Primus Entities intend to return to the Court to seek approval of the offer and resulting APA, and certain related relief, at a later date on notice to appropriate parties. Based on the purchase price under the APA, it is currently anticipated that the Primus Entities' first-ranking secured creditors will suffer a shortfall in recovering on their debt.

9. At this time, however, the Primus Entities are only seeking protection under the CCAA and certain ancillary relief as outlined in the draft Initial Order.

10. Without protection under the CCAA, a shut-down of operations or the commencement of self-remedy measures by creditors are inevitable, which would be extremely detrimental to the Primus Entities' employees, suppliers, customers, and other stakeholders. CCAA protection will allow the Primus Entities to implement the sale of their assets for the benefit of all their stakeholders.

11. The board of directors of each of the Primus Entities has authorized this Application.

B. THE PRIMUS ENTITIES**Corporate Structure**

12. Holdco is a private company incorporated under the Ontario *Business Corporations Act*, R.S.O. 1900, c. B. 16 (the "OBCA"). Holdco holds 100% of the shares of Primus Canada and PTUS. Holdco's registered head office is located at 5343 Dundas Street West, Suite 400, Toronto, Ontario.

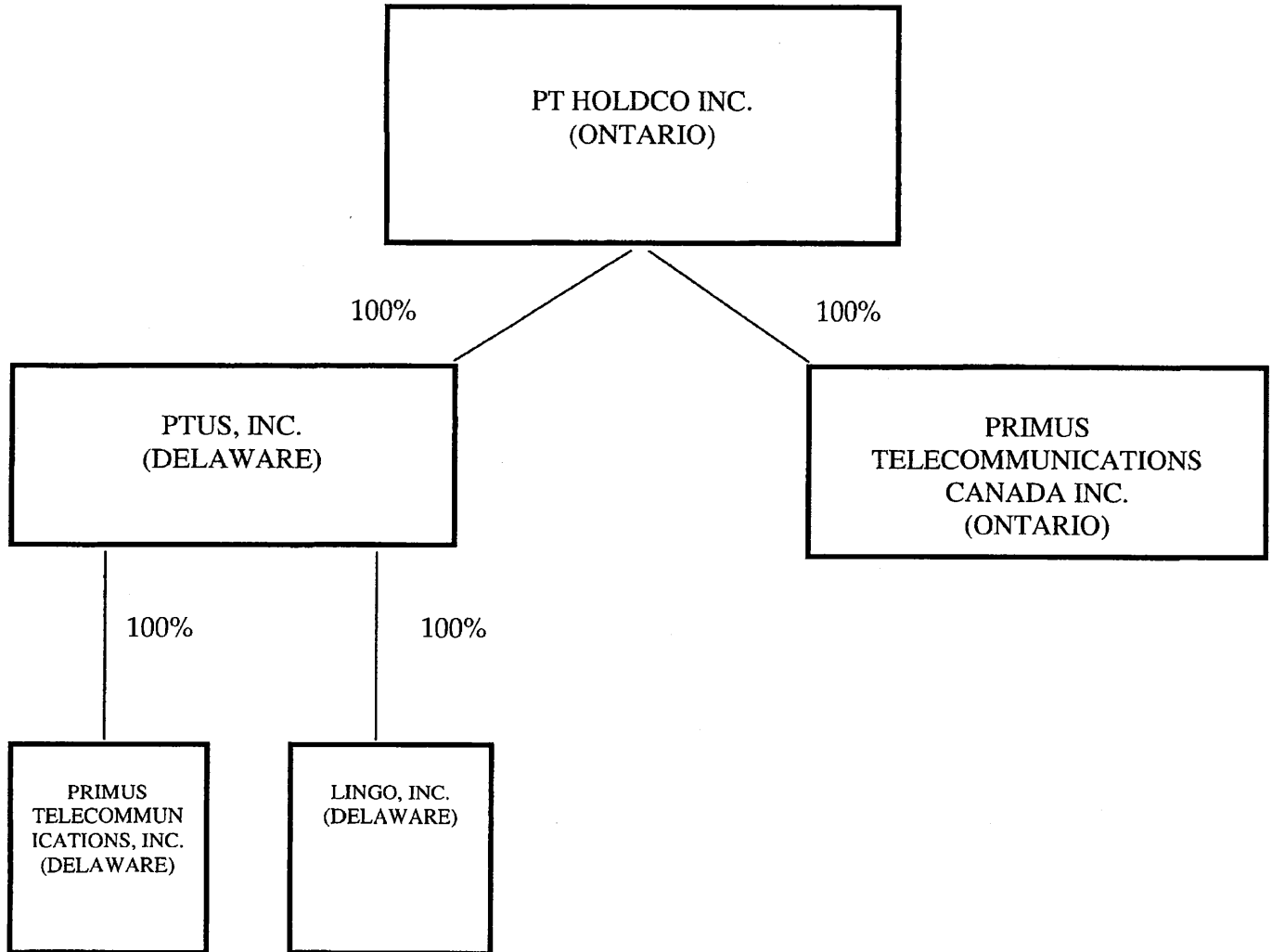
13. Primus Canada is a private company incorporated under the OBCA. Primus Canada is the Primus Entities' Canadian operating company. Primus Canada's registered head office is located at 5343 Dundas Street West, Suite 400, Toronto, Ontario.

14. PTUS is a subsidiary of Holdco and a private company incorporated under the laws of Delaware. PTUS holds 100% of the shares of PTI and Lingo and has no independent operations. PTUS's registered head office is located at 2711 Centreville Road, Suite 400, Wilmington, New Castle County, Delaware.

15. PTI is a private company incorporated under the laws of Delaware. PTI is in the business of selling telecommunications services primarily consisting of telephone and long distance voice services. PTI's registered head office is the same as PTUS.

16. Lingo is a private company incorporated under the laws of Delaware. Lingo offers VoIP telephone and long-distance voice services to both residential and small business customers. Lingo's registered head office is the same as PTUS.

17. The following chart shows the corporate structure of the Primus Entities, with the percentages reflecting equity interests.



The Business of the Primus Entities

18. The Primus Entities re-sell a wide selection of residential and business telecommunications services (with the exception of wireless phone services). The revenue generated by Primus Canada accounts for approximately 88% of the Primus Entities' gross revenue. 78% of Primus Canada's revenue is generated in Ontario, with 10% in Quebec, 6% in British Columbia, 4% in Alberta, and 2% from other provinces. The U.S. Primus Entities generate the balance of the Primus Entities' gross revenue.

Primus Canada

The Telecommunications Industry

19. The Canadian telecommunications industry operates under the supervision of the Canadian Radio-television and Telecommunications Commission (the "CRTC"), and is regulated by the *Telecommunications Act*, S.C. 1993, c. 38. As discussed in greater detail below, where the CRTC determines there is inadequate or limited market competition, the CRTC regulates matters such as certain rates, the terms and conditions under which carriers provide services, the exchange of telecommunications traffic between carriers, and inter-carrier arrangements.

20. The major carriers in Canada's telecommunications services industry are BCE Inc. ("**Bell**"), Rogers Communications Inc. ("**Rogers**"), Telus Corporation ("**Telus**"), MTS Inc./Allstream Inc. ("**Allstream**") and Shaw Communications Inc. ("**Shaw**" and together with Bell, Rogers, Telus and Allstream, the "**Major Carriers**").

21. The Major Carriers are Canada's five largest telecommunications service providers ("**TSPs**"). Combined, including their affiliates, they accounted for more than 84% of total market revenues in 2014. The next five largest TSPs accounted for

9% of total market revenues in 2014. Accordingly, the top 10 TSPs collectively capture 93% of industry revenues; the remaining TSPs capture the balance.

22. The top 10 TSPs are facilities-based service providers, meaning that they own and operate the majority of the transmission equipment required to provide their telecommunications services. The vast majority of the remaining TSPs are “re-sellers”.³

23. “Re-sellers” are TSPs who acquire (and require) wholesale services from other TSPs to provide telecommunications services to their own customers. Under a typical re-selling agreement, the wholesaler is responsible for physical service delivery and the re-seller manages the customer relationship. As a result, the wholesalers own and operate the majority of the necessary infrastructure to provide telecommunications services but the consumers deal exclusively with the re-seller.

24. The CRTC has mandated that the Major Carriers make certain services available to re-sellers. The Major Carriers sell these services to Primus Canada (and other re-sellers) at prices determined by the CRTC; all other services offered by Primus Canada are purchased at negotiated rates.

Services

25. Primus Canada offers a wide selection of residential and business telecommunications services. Residential services include VoIP, residential internet services, traditional local phone, long distance phone, and pre-paid calling cards. Business services include H-PBX, local line, long distance, internet and data access services to small-to-medium-sized businesses. Primus Canada also provides wholesale long distance capacity and ancillary services to smaller

³ CRTC Telecommunications Monitoring Report:
<http://www.crtc.gc.ca/eng/publications/reports/policymonitoring/2015/cmr5.htm#a5d>

telecommunications service providers. Primus Canada provides its services exclusively through re-selling, as described below.

26. Primus Canada does not own sufficient telecommunications network infrastructure to service its customers without purchasing services from a Major Carrier.

27. Primus Canada conducts its business through re-selling other TSPs' (primarily the Major Carriers) services purchased at wholesale rates determined by the CRTC, or through rates negotiated directly with the TSPs (the "Re-Sell Services"). The majority of Primus Canada's gross revenue is earned through the provision of Re-Sell Services.

28. Certain elements of Primus Canada's services are supplied from 83 "co-locations" which it rents from Bell (74), Telus (5), and Allstream (4). The CRTC obligates the Major Carriers to make space at certain of their facilities available for rent by secondary carriers at a fixed cost (a "co-location arrangement"). Primus Canada maintains hardware at such co-locations and these co-locations allows it to supply local phone, internet, and VoIP services for higher margins.

29. The CRTC regulates what services the Major Carriers must make available to secondary carriers at co-locations. Currently, the services provided by secondary carriers like Primus from co-locations are limited. For example, the higher margin internet offered by Primus Canada through its equipment located in the co-location sites is very restricted in the speeds offered and the geographic range of service covered due to several factors regulated by CRTC which limit competitive access to the Major Carrier fiber network from the co-location sites to the end customer.

Suppliers

30. Primus Canada is heavily dependent on the Major Carriers for both the Re-Sell Services business and the co-locations business. Primus Canada's largest Re-

Sell Services vendors are Bell, Allstream, Rogers and Telus, accounting for approximately 50% of all supplier obligations to Primus Canada as at November 30, 2015. Bell is Primus Canada's single largest vendor.

31. Primus Canada is also heavily dependent on its credit card processing service providers, including, without limitation, Chase Paymentech Solutions, Inc. ("Chase"). Approximately 30% of Primus Canada's customers pay for their services via credit card. Customers contract for services by the Primus Entities and arrange to pay for these services going forward by credit card. The credit card issuer extends credit to the cardholder by debiting the cardholder's credit card account. Upon being notified of the transaction, Chase pays the applicable Primus Entity and subsequently receives payment from the credit card issuer who deals with payment from the credit card holder. There is a protocol in place for post-processing rejection and restitution, which is set out in the credit card processing agreement between the parties. Without Chase, Primus Canada is unable to process any credit card transactions.

Customers

32. Primus Canada has approximately 204,000 residential customers and 23,000 commercial accounts. In 2015, approximately 56% of Primus Canada's revenue was generated from residential customers, and approximately 44% was generated from commercial customers.

33. Typical residential agreements are for terms of two years or less. Primus Canada's commercial customer contracts are generally for two to three year terms. If a residential customer prematurely terminates their agreement, he or she is required to pay out the balance of the contract's term. For commercial contracts, early termination penalties vary among contracts but generally consist of a cancellation fee of 50 to 70% of the amount payable for the remaining contract term.

Licensing

34. Primus Canada holds the following regulatory authorizations:
- (a) Reseller of Telecommunications Services Registration (CRTC);
 - (b) Basic International Telecommunications Services License (CRTC);
 - (c) Digital Subscriber Line Provider Registration (CRTC);
 - (d) Reseller of High Speed Internet Service Registration (CRTC);
 - (e) Competitive Local Exchange Carrier Registration ("CLEC"); Recognition of Fulfillment of CLEC Obligations and Permission to Operate as a Type 1 and Type 3 CLEC (CRTC).
35. The above authorizations are material to the business of Primus Canada. Without them, Primus Canada's business could not operate.

Market Competition

Other Carriers

36. Primus Canada competes against the Major Carriers, whose collective market share is 84%. By comparison, the market share of Primus Canada is approximately 0.6% of wireline revenues.
37. The Major Carriers offer a broader range of services than those offered by Primus Canada, such as cellular and television. These services are offered on a bundled basis with products that compete with Primus Canada's products, which Primus Canada cannot do.

38. Primus Canada competes against the Major Carriers for customers by offering services at lower price points and offering services tailored to medium-sized businesses.

39. Primus Canada also competes against other secondary carriers – *i.e.*, non-Major Carriers – including, for example, TekSavvy Solutions Inc., Comwave Networks Inc., Yak Communications (Canada) Corp. and Distributel Communications Limited. According to the CRTC, secondary carriers such as Primus make up 87% of the number of competitors in the wireline services marketplace while accounting for only 6% of the total telecommunications revenue in Canada in 2014.⁴

CRTC Review

40. The current regulatory environment does not require Major Carriers to make their residential “fiber to the home” (“FTTH”) network available to secondary carriers. This limits the ability of secondary carriers to offer residential high-speed internet services in areas where the fiber-optic network is the only mode of offering residential high-speed internet. A CRTC ruling on July 22, 2015 proposed to open access to FTTH services for secondary carriers over a period of time. Bell Canada has appealed this ruling to the Federal Cabinet and the outcome of that appeal is still pending.

41. The current regulatory environment restricts the means by which Primus Canada, and secondary carriers generally, can sell residential high-speed internet services purchased from the Major Carriers. The same July 22, 2015 ruling, among other things, mandates the Major Carriers to broaden the means by which

⁴ CRTC Telecommunications Monitoring Report:
<http://www.crtc.gc.ca/eng/publications/reports/policymonitoring/2015/cmr5.htm#a5d>

secondary carriers can Re-Sell residential high-speed internet services from co-locations, referred to as Disaggregated Broadband Service (“DBS”).

42. Once implemented, DBS could increase Primus Canada’s profitability by utilizing its co-location sites to more profitably deliver high-speed internet services to residential customers. The details of the implementation of DBS have yet to be determined, including details on network interconnections and costs to be charged under this new regulatory framework. Bell has sought to have the CRTC “review and vary” its July 22, 2015 decision and the outcome of this application are pending.

43. Primus Canada is unable to quantify the potential impact of the July 22, 2015 ruling due to the uncertainty surrounding the implementation details and the outcomes from the various Bell challenges. However, Primus Canada believes that it would enjoy a competitive advantage over other secondary carriers under the DBS regulatory structure because Primus Canada’s co-location infrastructure is significantly more developed than other secondary carriers. Even so, it is expected that the implementation of such a ruling by the CRTC would be 12 to 18 months.

U.S. Primus Entities

Services

44. The U.S. Primus Entities account for 12% of the Primus Entities’ gross revenue.

45. The U.S. Primus Entities primarily offer digital home phone service via VoIP technology which accounts for 39% and long-distance phone which accounts for the balance of their revenue.

Suppliers

46. The U.S. Primus Entities' largest supplier currently is PTGi International Carrier Services, Inc. ("PTGi-ICS"). PTGi-ICS is the wholesale supplier of long-distance phone service for resale by PTI; however, PTGi-ICS recently gave notice to terminate this agreement effective March 31, 2016.

Customers

47. The U.S. Primus Entities have approximately 27,000 residential customers. Approximately 1,100 customers are located in Puerto Rico; the balance of the U.S. Primus Entities' customers are located in the United States.

Regulatory Environment

48. The Federal Communications Commission (the "FCC") regulates telecommunications policies in the United States. Given the small size of the U.S. Primus Entities' business, any changes in FCC policy are not expected to materially impact the Primus Entities' overall performance.

49. The U.S. Primus Entities are fully compliant with the American telecommunications licensing regime.

Integration between U.S. Primus Entities and Canadian Primus Entities

50. The Primus Entities' business is intertwined throughout the various Primus Entities' corporations. The Primus Entities share networks, platforms, infrastructure and personnel, including senior management.

51. More particularly, certain functions are completely integrated across all Primus Entities. The Primus Entities' executive management, located in Canada, is responsible for the strategic direction of the U.S. Primus Entities, and the Primus

Entities' Human Resources department, also located in Canada, is responsible for such functions on an entity-wide basis.

52. Employees of the U.S. Primus Entities also support Canadian operations. For example, certain American customer care employees provide support to Canadian customers and certain American engineers assist with Canadian network support.

Employees

53. As at December 9, 2015 the Primus Entities employed approximately 500 people in Canada and 28 in the United States. The Primus Entities' employees by location are summarized below:

Location	Primus Entity	Employees
Canada		
Toronto	Primus Canada	242
London	Primus Canada	3
Vancouver	Primus Canada	11
Markham	Primus Canada	12
Ottawa	Primus Canada	81
Edmundston	Primus Canada	147
United States		
Cedar Rapids, IO	PTI	4
Tampa, FL	PTI	4

54. In addition to the above, there are 6 employees in Canada and 20 in the United States who have made arrangements to work off-site.

55. The Primus Entities' workforce is non-unionized.

56. The Primus Entities do not have a pension plan for their employees.

Offices and Facilities

Canada

57. Primus Canada leases its head office in Toronto, Ontario.
58. Primus Canada has two primary “switch sites”⁵ located at 151 Front Street West, Toronto, Ontario, and 555 West Hastings Street, Vancouver, British Columbia.
59. Primus Canada leases sales and support offices in London, Ontario and Vancouver, British Columbia.
60. Primus Canada leases an office located in Markham, Ontario.
61. Primus Canada leases two customer support centres located in Ottawa, Ontario, and Edmundston, New Brunswick.

United States

62. PTI leases office space in Cedar Rapids, Iowa. Four employees work out of that location and support the Primus Entities’ Canadian and U.S. operations.
63. PTI also leases and operates an office in Tampa, Florida. Four employees work out of that location and their primary role is to provide customer support for the Puerto Rico customer base.

⁵ Central facilities from which the Primus Entities’ deliver services.

Cash Management System

64. In the ordinary course of their business, the Primus Entities use a centralized cash management system (the “Cash Management System”) to, among other things, collect funds and pay expenses associated with their operations.

65. As particularized below, the Primus Entities maintain bank accounts in both Canada and the U.S. for their Canadian and U.S. operations as well as accounts related to the holding companies.

66. In Canada, the Primus Entities maintain 13 bank accounts with the Bank of Montreal (“BMO”), consisting of:

- (a) 8 bank accounts for Primus Canada;
- (b) 2 bank accounts for Holdco;
- (c) 1 bank account for PTUS;
- (d) 1 bank account for Lingo; and
- (e) 1 bank account for PTL.

67. In the United States, the Primus Entities maintain 11 bank accounts: one account with Banco Popular in Puerto Rico, one bank account with U.S. Bancorp (“US Bank”), and 9 bank accounts with Bank of America (“BOA”).

68. In Canada,

- (a) disbursements required to operate the business are made out of two BMO Canadian dollar disbursement accounts; the US dollar operating account; or the primary operating concentration account, all accounts being in the name of Primus Canada;

- (b) the Primus Entities' Canadian payroll is funded through the primary operating concentration account;
- (c) Primus Canada uses Ceridian HCM, Inc. and the U.S. Primus Entities use ADP LLC to disburse payroll directly to employees and to make necessary statutory remittances; and
- (d) cash payments from customers are typically received by cheque, credit card processed by Chase, pre-authorized direct bank deposit processed by BMO or electronic transfer and are deposited directly into one of three primary bank accounts. Payments that are received in the form of cheques are either received at Primus Canada's offices and deposited into a local branch of BMO or sent to a lockbox operated by Symcor Inc. and transferred directly to Primus Canada's accounts at BMO.

69. In the United States,

- (a) disbursements required to operate the business are made from one BOA account in the name of Lingo or one BOA account in the name of PTI;
- (b) the U.S. Primus Entities' payroll is funded through one BOA account in the name of PTI;
- (c) the U.S. Primus Entities use ADP LLC to disburse payroll directly to employees and to make necessary statutory remittances; and
- (d) cash payments from customers are typically received by cheque, electronic transfer, or credit card processed by Chase and are deposited into one of three bank accounts: a Lingo deposit account with BOA, a PTI deposit account with Banco Popular, a PTI deposit account with US Bank, or one of three BOA accounts held by PTI.

70. Primus Canada's Canadian dollar deposit and disbursement accounts are ultimately aggregated into the operating concentration account at the end of each day pursuant to a zero-balancing arrangement in place with BMO.

71. Continued access to the Cash Management System without disruption is critical to the ongoing business of the Applicants.

Assets

72. The Primus Entities prepare financial statements on a consolidated basis. As reflected in the unaudited consolidated financial statements of the Primus Entities for the eleven months' ended November 30, 2015, the assets of the Primus Entities had a book value of approximately \$145 million and consisted of the following:

Cash and equivalents	2,896,794	
Accounts receivable	11,329,605	
Prepaid expenses	2,280,362	
Inventory, deposits and other receivables	<u>1,649,540</u>	
Total Current Assets	\$18,156,301	
Capital assets		26,958,328
Goodwill and other intangibles		98,596,009
Restricted cash		295,000
Deferred charges		<u>1,142,342</u>
		<u>126,991,680</u>
Total Assets		\$145,147,981

73. Capital assets include network infrastructure equipment and associated installation costs; software and associated development costs; fiber optic network capacity that the Primus Entities own; capital costs associated with leasehold

improvement work; equipment used for voice telecommunications services; infrastructure equipment for the US network; equipment provided to customers for rent; computers; office equipment and phone systems; and automobiles.

74. The "Goodwill and other intangibles" line item represents intangible assets and consists of goodwill, brand and customer list intangibles, at 43%, 21% and 36%, respectively.

Liabilities

75. As at November 30, 2015, the Primus Entities had liabilities on a consolidated basis totalling approximately \$101 million.

76. The principal debt obligations of the Primus Entities are described in more detail below.

Current Liabilities

77. In addition to the principal debt obligations, as at November 30, 2015, the Primus Entities had approximately \$30.4 million of other current liabilities, including:

Accounts payable	7,887,868
Accrued liabilities	7,483,255
Income taxes payable	(23,336)
Deferred revenue	6,097,555
Other current liabilities	8,940,829
Total Current Liabilities	\$30,386,172

Credit Agreement

78. Primus Canada is indebted to BMO, HSBC Bank Canada ("**HSBC**") and ATB Corporate Financial Services ("**ATB**", and together with BMO and HSBC, the "**Syndicate**"), in the amount of \$40,070,000 pursuant to a Credit Agreement dated July 31, 2013, (as amended by an amending agreement (the "**Amending Agreement**") dated September 23, 2014 (the "**Credit Agreement**")). The Credit Agreement matures on July 31, 2017.

Secured Debt

79. The Credit Agreement is comprised of two main credit facilities (the "**Facilities**"). Facility A is a secured revolving credit facility under which Primus Canada can draw up to \$10,000,000 for general working capital purposes, subject to a borrowing base calculation. Facility B is a secured non-revolving credit facility under which the Syndicate made one advance to Primus Canada in the amount of \$60,000,000. The Primus Entities also have a "swingline" facility under the Credit Agreement pursuant to which they have drawn a letter of credit in the approximate amount of \$295,000 in relation to their tenancy at the customer support centre in Ottawa, Ontario.

80. Under the Credit Agreement, Primus Canada has granted comprehensive first-ranking security to BMO as administrative agent of the Syndicate over all of its assets pursuant to, among other things, a general security agreement. I am advised that counsel to the proposed Monitor is preparing an independent security review which will be included in a future report of the proposed Monitor.

81. Primus Canada's obligations under the Credit Agreement are guaranteed by all of the Primus Entities. Such guarantees are also secured by substantially all of the assets of the Primus Entities pursuant to, among other things, general security agreements and a deed of hypothec, with (a) *Personal Property Security Act* ("**PPSA**")

filing statements registered in the following jurisdictions: Holdco (Ontario); Primus Canada (British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Quebec); and Lingo (Ontario); and (b) UCC registrations in the following jurisdictions: Primus Canada (District of Columbia); PTUS (Delaware); Primus US (Delaware); and Lingo (Delaware).

82. In an event of default under the Credit Agreement, any credit issued under the Facilities becomes due and payable upon written notice to Primus Canada.

83. Primus Canada is also a counterparty to three swap agreements (together, the "**Swap Agreements**") with the Syndicate lenders HSBC, ATB and BMO (each being a "**Swap Bank**" and together, the "**Swap Banks**") in the approximate amount of \$20,250,000. While each agreement is distinct, the terms of each are virtually identical. Under the Swap Agreements, Primus Canada has agreed to pay each Swap Bank a fixed rate of interest (1.97%) on a notional principal amount (which declines over time) on specific dates. Concurrently, each Swap Bank has agreed to make payments based on a floating interest rate to Primus Canada on that same notional principal on the same specified dates for the same specified time period. The Primus Entities' obligations under the Swap Agreements are secured by the general security agreement.

84. If terminated as at January 14, 2016 under the Swap Agreement, the Swap Banks would be entitled to a payment in the approximate amount of \$375,000 from Primus. The Swap Agreements expire July 31, 2017.

Subordinate Credit Agreement

85. Primus Canada is also indebted to the Manufacturers Life Insurance Company ("**Manulife**") and BMO Capital Partners ("**BMOCP**" and together with Manulife, the "**Subordinate Lenders**"), in the principal amount of \$20,000,000 (the "**Subordinate Debt**") pursuant to a subordinate credit agreement (such credit

agreement, as amended, the “**Subordinate Credit Agreement**”) dated July 31, 2013, as amended by an amending agreement dated September 23, 2014. The Subordinate Credit Agreement matures on July 31, 2018. As of November 30, 2015, Primus Canada is indebted to the Subordinate Lenders in the amount of \$22,971,359.94 inclusive of accrued interest.

86. Under the Subordinate Credit Agreement, Manulife and BMOCP each established a credit facility for Primus Canada in the maximum principal amounts of \$14,600,000 and \$5,400,000, respectively. Such funds were made available to Primus Canada by way of a single advance.

87. Under the Subordinate Credit Agreement, Primus Canada has granted a security interest to Manulife as collateral agent of the Subordinate Lenders over all of its assets pursuant to, among other things, a general security agreement, which security interest ranks behind the security granted to the Syndicate pursuant to the terms of an Intercreditor Agreement (defined below).

88. Primus Canada’s obligations under the Subordinate Credit Agreement are guaranteed by all of the Primus Entities. Such guarantees are also secured by substantially all of the assets of the Primus Entities pursuant to, among other things, general security agreements and a deed of hypothec, with (a) PPSA filing statements registered in the following jurisdictions: Holdco (Ontario); Primus Canada (British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Quebec); and Lingo (Ontario); and (b) UCC registrations in the following jurisdictions: Primus Canada (District of Columbia); PTUS (Delaware); Primus US (Delaware); and Lingo (Delaware).

89. In an event of default under the Subordinate Credit Agreement, any credit issued under the Subordinate Credit Agreement becomes due and payable upon written notice to Primus Canada.

Intercreditor Agreement

90. The relative priorities and rights between the Syndicate (as the senior lenders) and Manulife (as the subordinate lenders) is governed by the intercreditor agreement dated July 31, 2013 (the “**Intercreditor Agreement**”). A copy of the Intercreditor Agreement is attached as **Exhibit “A”** hereto.

91. As provided in Section 3 of the Intercreditor Agreement, the Subordinate Lenders are fully subordinated to the prior repayment in full of all obligations owing to the Syndicate and the security of the Syndicate under the Credit Agreement, to the full extent of the amounts owing thereon ranks ahead of the security of the Subordinate Lenders under the Subordinate Credit Agreement, to the full extent of the amounts owing thereon.

C. FINANCIAL DIFFICULTIES

92. The Primus Entities have been experiencing and continue to experience severe strains on their cash flow as a result of, among other things, declining revenues, the Primus Entities’ customer base transitioning to lower profit margin services and over-leverage. The Primus Entities’ significant fixed costs have hindered their ability to quickly and adequately respond to such revenue declines.

93. As a result, the Primus Entities’ earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) and net operating profit have deteriorated over the last three years, and continue to deteriorate. While EBITDA has stabilized over the last seven months due to cost management and reduced marketing activities, this level of EBITDA is insufficient to meet the obligations under the secured credit agreements.

Revenue

94. Since 2012, the Primus Entities' revenue has declined an average of 9% per year. The Primus Entities' Canadian residential business, representing approximately 56% of their gross revenue for 2015, has declined an average of 9% year-over-year ("YOY") since 2012.

95. Changing technology and, as a result, consumer behaviour is the primary driver behind the residential sector revenue decline. Advances in network and wireless technology have decreased demand for long-distance and local phone, and pre-paid calling cards (the "Legacy Services"). In addition, rapid growth in the sale of bundled TV, internet, and voice services by the Major Carriers have exerted considerable price pressures on the markets that the Primus Entities compete in.

96. Consumer preferences are shifting towards mobile technology and high-speed internet. The Primus Entities do not have the capability to provide mobile services. The Primus Entities' internet services offered through their co-location sites are primarily limited to lower-speed offerings. As such, the Primus Entities' internet service customers have been rapidly transitioning from higher margin co-location services to materially lower margin re-sell services.

97. The Primus Entities' residential service offering primarily involves the provision of Legacy Services, with high-speed internet services representing a growth offering. In the past, Legacy Services were the Primus Entities' largest revenue generator. Since 2012, however, the Primus Entities' revenue from Legacy Services in Canada has declined 18% YOY and 25% YOY in the United States.

98. Moreover, in 2013, Bell accelerated the promotion of its bundled high-speed internet, TV, and voice service offerings (the "Triple Play" bundle) leading to considerable pricing pressures on the market for such services. The Primus Entities

do not offer TV services, and thus cannot create a bundle offering to compete against the bundled offerings of the Major Carriers.

99. The attraction of new customers in 2014 and Q1 of 2015 has also contributed to the Primus Entities' profitability decline. Each new customer represents additional marketing, hardware and installation costs, as well as staffing costs related to the on-boarding of those customers.

100. It can take up to a year before the costs associated with a new customer are recovered. Therefore, adding new customers to offset the rapidly declining Legacy Services revenues requires significant capital. Due to limits imposed by its capital structure, a lack of new capital availability, and the decline of high profit margin Legacy Services and co-location services revenues, the Primus Entities have had to constrain their customer growth initiatives.

101. As a result of the decline in demand for Legacy Services, the Primus Entities' inability to offer mobile services and their inability to compete with Bell's Triple Play bundle (or similar bundles offered by the other Major Carriers), the Primus Entities' gross revenue decreased from \$229,024,000 in the fiscal year ended 2012 ("FY2012") to \$198,511,000 in the fiscal year ended 2013 ("FY2013") and to \$180,078,000 in the fiscal year ended 2014 ("FY2014") and is forecasted to decline to \$165,859,252 in the fiscal year ended 2015 ("FY2015").

Expenditures

102. The Primus Entities have high fixed overhead costs, which cannot be materially reduced as they relate to functions that are necessary to run the Primus Entities' business. Such costs stem from supporting a national telecommunications infrastructure with the related engineering and support requirements. Moreover, as the Primus Entities' customer base has been steadily declining, any reductions in overhead costs are outweighed by declining revenue.

103. In order to maintain and grow their service offerings, the Primus Entities incur capital expenditures (“Capex”) every year. Such Capex include (i) hardware related to the sales of H-PBX and VoIP; (ii) network and client premises equipment expenditures required to support new customers; (iii) maintenance and replacement of components in network infrastructure; (iv) investment in network and internet delivery infrastructure; (v) capitalized employee and consulting costs associated with network projects; and (vi) maintenance and improvements to the Primus Entities’ information systems, software, servers and storage capacity.

104. Over the past four years, the Primus Entities’ annual average Capex was \$7,898,993 per year.

105. The Primus Entities are also carrying significant debt service obligations in respect of their secured debt facilities.

106. In 2015, the Primus Entities’ debt service obligations and capital expenditures totalled approximately \$18,365,182 compared to \$9,871,722 in EBITDA.

EBITDA

107. As a result of the declining Legacy Services revenues, the margin pressures exerted by the Primus Entities’ changing revenue mix, and the high up-front costs associated with adding new customers, the Primus Entities’ EBITDA declined from \$41,442,000 in FY2012 to \$36,073,000 in FY2013 and \$22,499,000 in FY2014 and \$9,871,722 forecasted in FY2015.

108. This annual downward trend has continued in the current fiscal year as a high volume of new customers were added in the fourth fiscal quarter of 2014 and the first fiscal quarter of 2015. For the first quarter of 2015, EBITDA has declined 89% over the same period in the prior year, from \$7,123,000 to \$753,000. Monthly

EBITDA has stabilized at approximately \$1 million per month for the last 9 months of 2015. The stabilized EBITDA is due to the reduction in marketing initiatives resulting in lower volume of new customer sign-ups, and overall cost reduction initiatives.

Net Income/Loss

109. The Primus Entities reported a net loss of \$830,000 in FY 2014, and a forecast a net loss of \$13,078,000 for FY2015.

110. A copy of the Primus Entities' consolidated unaudited financial statements for the eleven months ending November 30, 2015 are attached here to as **Exhibit "B"**.

111. A copy of the Primus Entities' consolidated financial statements, prepared on a 13-month rolling basis and current to November 30, 2015 are attached as **Exhibit "C"** hereto.

112. The Primus Entities have not finalized their FY2015 audited financial statements.

Responses to Financial Difficulties

113. As a result of the deterioration of their financial results, limited cash flow, and lack of available equity support from its shareholders the Primus Entities concluded that changes to their current business model are required.

114. The Primus engaged FTI, as financial advisor in November 2014 and in April 2015 FTI began assisting the Primus Entities in considering restructuring alternatives.

115. Modified business plans reflecting slower growth due to lack of additional growth capital were developed by management in 2015; however, such business

plans could not be implemented without concessions from the Syndicate and Subordinate lenders.

116. In order to conserve their cash flow as of May 1, 2015, the Primus Entities have: (i) reduced staffing through process improvements and matching customer base declines; (ii) reduced capital spending to customer premise equipment and necessary projects; and (iii) capped salary increases and corporate bonus payments. Further, due to the capital and operating expenses associated with new customers, the Primus Entities have significantly reduced their efforts to attract new customers since March 2015. Typically, it can take up to a year for a new customer to become cash positive for the Primus Entities and thus an increasing customer base is adverse to the Primus Entities' short term cash flow.

117. The Primus Entities attract new residential customers primarily through (i) direct mail advertising initiatives, (ii) various digital web marketing initiatives, and (iii) their presence at Costco wholesale stores. Accordingly, the Primus Entities have eliminated their direct mailing expenditures, and have reduced their web marketing initiatives and Costco presence by time and staffing levels.

118. In light of the Primus Entities' financial difficulties, the Board of Directors of Holdco (the "Board") has held regular status calls with management and the Applicants' advisors.

D. DEFAULTS UNDER THE CREDIT AGREEMENTS

Credit Agreement

119. Under the Credit Agreement, Primus Canada is required to, among other things, maintain certain debt to EBITDA ratios. Under Facility B specifically, Primus Canada is required to, among other things, make quarterly principal repayments in the amount of \$2,250,000 on the last business day of each calendar quarter. Failure to meet these covenants constitutes an event of default.

120. As of late 2014, the Primus Entities have been unable to maintain certain debt to EBITDA ratios specified under section 6.03 of the Credit Agreement (the "**Credit Agreement Defaults**"), and were therefore in default under the Credit Agreement.

121. The Credit Agreement Defaults have placed the Syndicate in a position to declare a "Standstill Period" pursuant to the Intercreditor Agreement. During a Standstill Period, Primus Canada would be prohibited from making any payments due under the Subordinate Credit Agreement, other than reasonable expenses due not in excess of \$100,000.

122. Primus Canada entered into a forbearance agreement with the Syndicate on February 4, 2015 (the "**Syndicate Forbearance Agreement**"). Under the Syndicate Forbearance Agreement, Primus Canada acknowledged the Credit Agreement Defaults and agreed to provide a revised business plan for fiscal year 2015 and specified financial information. Primus Canada further agreed that as a consequence of the Credit Agreement Defaults the Syndicate was entitled to charge an additional 2% interest in accordance with section 9.02 of the Credit Agreement, upon written notice of same. A copy of the Syndicate Forbearance Agreement is attached as **Exhibit "D"**.

123. The Syndicate Forbearance Agreement expired on February 27, 2015.

124. On the same day, the Syndicate gave notice to Primus Canada that (i) the Syndicate reserved its rights to take the steps it believes are required to, among other things, realize on its security; (ii) the Syndicate was exercising its right to charge an additional 2% per annum interest on all amounts outstanding under the Credit Agreement; and (iii) Duff & Phelps Canada Restructuring Inc. was to be appointed pursuant to section 9.09 of the Credit Agreement as a consultant to review and report the viability of the Primus Entities' business and strategy going forward, on behalf of the Syndicate.

125. As described in greater detail below, on August 31, 2015, following extensive and careful arms-length negotiation commencing in July 2015, Primus Canada entered into a support agreement with the Syndicate lenders (the "**Support Agreement**") further to which the Syndicate agreed to support a sale and investor solicitation process (a "**SISP**") on a going concern basis.

Subordinate Credit Agreement

126. Primus Canada has also defaulted under the Subordinate Credit Agreement. Specifically, Primus Canada has not serviced its Subordinate Debt since January 31, 2015, which constitutes a default under section 9.01(b) of the Subordinate Credit Agreement and a cross-default under section 9.01(f) of the Credit Agreement. Primus Canada also did not maintain certain debt to EBITDA ratios specified under section 6.03 of the Subordinate Credit Agreement (together with the section 9.01 defaults, the "**Subordinate Credit Agreement Defaults**").

127. Primus Canada entered into a forbearance agreement with the Subordinate Lenders on February 4, 2015 (the "**Subdebt Forbearance Agreement**"). Under the Subdebt Forbearance Agreement, Primus Canada acknowledged the Subordinate Credit Agreement Defaults and agreed to provide a revised business plan for fiscal year 2015 and specified financial information. Primus Canada further agreed that as a consequence of the Subordinate Credit Agreement Defaults the Subordinate Lenders were entitled to charge an additional 2% interest in accordance with section 9.02 of the Subordinate Credit Agreement, upon written notice of same. A copy of the Subdebt Forbearance Agreement is attached as **Exhibit "E"**.

128. The Subdebt Forbearance Agreement expired on March 2, 2015. On March 9, 2015, the Subordinate Lenders gave notice to Primus Canada that (i) due to the Subordinate Credit Agreement Defaults, interest on all amounts outstanding under the Subordinate Credit Agreement were accruing interest at a rate of 15% per annum, as of January 31, 2015, in accordance with section 3.06 of the Subordinate

Credit Agreement; and that (ii) the Subordinate Lenders have reserved their rights to take the steps they believe are required to, among other things, realize on their security.

E. SUPPORT AGREEMENT AND THE SISP

129. As mentioned above, on August 31, 2015, following extensive and careful arms-length negotiations, Primus Canada entered into a support agreement with the Syndicate lenders (the "**Support Agreement**") further to which the Primus Entities agreed to conduct and the Syndicate agreed to support a sale and investor solicitation process (a "**SISP**") on a going concern basis. A copy of the Support Agreement is attached as **Exhibit "F"** hereto.

The Support Agreement

130. The Primus Entities elected to pursue the SISP outside of CCAA proceedings out of concern that, among other things, a prolonged period under CCAA protection necessary to implement a post-CCAA filing sales process would have a serious and detrimental impact on the Primus Entities' business and its customers which could diminish the value of the business as a whole. The bargain reflected in the Support Agreement was a product of a meticulous balancing of interests of Primus Entities' various stakeholders, the result of which was to allow the Primus Entities to implement its proposed restructuring strategy (i.e., the SISP) as a going concern while preserving the position of the Syndicate Lenders and the Primus Entities' other stakeholders if the SISP did not, ultimately, result in any restructuring transaction(s).

131. Under the Support Agreement, the Syndicate lenders agreed among other things, to:

- (a) a standard forbearance in exercising their rights and remedies as creditors;

- (b) a series of particular covenants to support the implementation and execution of the SISP, including not to take any action inconsistent with the Support Agreement or that would frustrate the consummation of any SISP transaction(s);
- (c) support the approval of any SISP transaction(s) as promptly as practicable if the transaction is acceptable to the Syndicate lenders and BMO, in its capacity as administrative agent to the Syndicate, acting reasonably; and
- (d) not to propose, vote for or otherwise support alternative arrangements under the CCAA, the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 or otherwise (thereby circumventing the SISP at a sensitive time).

132. In exchange, Primus Canada agreed, among other things:

- (a) to certain reporting and monitoring requirements, particularly with regard to the progress of the SISP;
- (b) not to materially increase compensation, severance or other benefits payable to their employees except in accordance with the terms of the key employee retention plan ("KERP") in the form attached to the Support Agreement⁶;
- (c) to adhere to an ongoing business plan, with reference to a particular cash flow projection and with detailed reporting obligations; and
- (d) to implement the SISP for the purpose of identifying one or more purchasers of and/or investors in the Primus Entities' business with a targeted completion date for a transaction of December 31, 2015.

⁶ The Primus Entities have entered into KERPs with 8 people, each of whom are critical to the strategic, day-to-day operations and management of the Primus Entities and/or the smooth execution and

133. All material decisions with respect to the SISP (including whether to enter into a transaction and which one to enter into) remained exclusively within the sole discretion of the boards of the Primus Entities (and concomitantly their current management) to be made in accordance with their fiduciary duties with respect to securing the best available strategic alternative for the Primus Entities.

134. The timeline for implementing the SISP was set out in section 5 of the Support Agreement (each step being designated a “**Milestone**”, the execution of which was an essential precondition to the continuance of the Support Agreement). Pursuant to the Support Agreement, Primus Canada covenanted to:

- (a) Commence marketing to prospective financiers, investors and/or purchasers (together, with others expressing a similar interest, the potential “**Interested Parties**”) on or before September 1, 2015;
- (b) Be in receipt of one or more Phase I Bids (which is defined as an original executed copy of a comprehensive non-binding letter of intent) on or before October 1, 2015;
- (c) Be in receipt of one or more Phase II Bids (which is defined as a comprehensive, final and binding proposal) on or before November 2, 2015;
- (d) Enter into a binding agreement(s) with the “**Successful Bidder(s)**” (a bidder whose Phase I Bid was, ultimately, accepted and with whom the Primus Entities seeks to consummate a transaction) on or before November 30, 2015; and

implementation of the SISP. The KERPs provide for future potential payments to the KERP participants in the maximum aggregate amount of \$500,000.

- (e) Close all agreements and transactions with the Successful Bidder(s) On or before December 31, 2015.

135. The failure to meet any of the Milestones set out above was a "Triggering Event" within the meaning of section 8 of the Support Agreement, which entitled any Syndicate lender to terminate the Support Agreement. As a result, continued and ongoing adherence to the Milestones was a necessary precondition for successfully implementing the SISP (and thereby facilitating a successful restructuring).

136. However, it was also understood that the Milestones and procedures could be amended at any time by mutual agreement should there be sufficient rationale that such amendments would be to the mutual benefit of the parties to the Support Agreement and other stakeholders of the Primus Entities.

137. On October 30, 2015, Primus Canada and the Syndicate lenders entered into an agreement (the "**First Amending Agreement**") extending the SISP timeline originally provided for in the Support Agreement to allow Primus Canada to be in receipt of one or more Phase II Bids on or before November 16, 2015 and to enter into a binding agreement(s) with the Successful Bidder(s) on or before December 14, 2015. The First Amending Agreement is attached as **Exhibit "G"** hereto.

138. The Milestones in the Support Agreement were extended in accordance with its terms, in part, to provide potential SISP bidders with further time to complete all required due diligence and otherwise to ensure their bids could be turned into executable transactions in compliance with the SISP.

139. The SISP timeline was further extended pursuant to a second agreement (the "**Second Amending Agreement**"), which allowed the Primus Entities: (i) to be in receipt of one or more Phase II bids on or before December 23, 2015; (ii) enter into a binding agreement with the Successful Bidder(s) on or before January 19, 2015; and

(iii) close all agreements and transactions on or before February 29, 2016. A copy of the Second Amending Agreement is attached hereto as **Exhibit "H"**.

The SISP

140. Further to the timeline and conditions set out in the Support Agreement (and as will be described in greater detail in the Primus Entities' materials to be filed in support of a motion (the "**Sale Approval Motion**") to approve, *inter alia*, a sale of the Primus Entities' assets (if this Court grants the Initial Order sought herein)), the Primus Entities commenced the SISP in September 2015.

141. Following a competitive selection process, Origin Merchant Partners ("**Origin**") was engaged by Primus Canada to act as a financial advisor pursuant to an engagement letter dated August 7, 2015 (the "**Engagement Letter**") and commenced solicitation of potentially interested parties.

142. As a result of the efforts of the Primus Entities, Origin and other advisors, six interested parties emerged and submitted Phase I Bids. Three parties ultimately submitted comprehensive, final and binding offers.

143. A period of extensive and intensive arm's length negotiations followed the receipt of offers, each of which were evaluated in accordance with the criteria enumerated in the SISP. Ultimately, the bid by Birch Communications Inc. ("**Birch Communications**") was determined to be the Successful Bid.

144. An essential precondition to the contemplated Asset Purchase Agreement ("**APA**") between the Primus Entities and Birch Communications (in this capacity, the "**Purchaser**") was the expeditious application to this Court for the Initial Order sought herein.

145. In advance of filing for CCAA protection, and in order to comply with the provisions of the Support Agreement detailed above, the parties entered into two preliminary agreements:

- (a) First, on December 18, 2015, the Primus Entities entered into an Escrow Agreement with the Purchaser and FTI (as escrow agent), whereby \$2,000,000 would be deposited into an escrow account in contemplation of entering into the aforementioned APA to be released as part of the closing thereof; and
- (b) Second, on December 22, 2015, the Primus Entities entered into an exclusivity letter agreement with the Purchaser whereby the Primus Entities agreed to terminate any existing discussions with any third party, and not to solicit, encourage or otherwise commence or continue discussions with, or provide any information to, any third party, regarding the sale to any such third party of all or any of the Purchased Assets (as defined in the APA) or any investment or other participation by any such third party in any of the business, enterprise, securities, assets or properties of any of the Primus Entities. The exclusivity letter agreement was a condition precedent to the Purchaser pursuing the sale transaction contemplated in the APA.

146. After extensive deliberations and consultations with their professional advisors, the Primus Entities concluded, further to and on the basis of their commercial and business judgement, that the transaction contemplated in the APA represented the best offer available to them in the circumstances and that proceeding with such transaction was in the best interest of stakeholders.

The Sale Transaction

147. The Primus Entities and the Purchaser executed and delivered a definitive version of the APA dated January 18, 2016, subject to Court approval. Further details and a copy of the APA will be served and filed with the Primus Entities' motion materials to approve same.

148. The essential terms of the definitive version of the APA and the Sale Transaction contemplated therein are as follows:

- (a) The Purchaser will acquire substantially all of the business, assets and operations of the Primus Entities, including principally all of their patents, patent applications, trademarks and domains ("**Purchased Assets**" and "**Purchased Intellectual Property**" respectively, and as set out in Schedule "A" and "H" to the APA) but excluding any shares and other securities owned by any Primus Entity ("**Excluded Assets**", set out in Schedule "D" to the APA) on an "as is, where as" basis as existing at "Closing Time" (as defined in the APA and subject to representation and warranties therein);
- (b) The aggregate purchase price ("**Purchase Price**") payable to the Primus Entities is calculated on the basis of the Purchase Price formula set out further to sections 3.1 and 3.7 of the APA, consisting of the following:
 - (i) The "Base Purchase Price" of \$44 million (as the term is defined in the APA and as adjusted in accordance with the formula set out therein);
 - (ii) Less certain Cure Costs (as defined in the APA); and
 - (iii) Less certain other amounts payable that do not constitute Cure Costs in respect of "Essential Contracts" (as defined in the APA).

- (c) The Purchaser may, in its sole discretion, offer employment to any or all active and inactive Primus Entity employees (collectively "**Transferred Employees**") conditional on "Closing" (as each is defined in the APA);
- (d) The Purchaser will assume, perform, discharge and pay the obligations of the Primus Entities ("**Assumed Obligations**") set out in section 2.5 of the APA, including, but not limited to, the following:
 - (i) all debts, liabilities and obligations under an "Assumed Contract" assigned or transferred to the Purchaser on Closing for the period from and after Closing Time, provided that such debts, obligations or liabilities do not arise from or are due or attributable to:
 - (A) any default existing or breach by any Primus Entity occurring prior to or as a consequence of Closing, or
 - (B) any default, breach or violation of any Primus Entities' of any term or condition of the APA;
 - (ii) all debts, liabilities and obligations for which the Purchaser is responsible in respect of Transferred Employees as per the APA;

149. The Purchaser may terminate the APA, in its sole and absolute discretion, if this Court orders a post-filing sales process or it may elect not to terminate the APA and have it serve as a the stalking horse offer in such post-filing sales process with customary stalking horse protections, in accordance with the terms of the exclusivity letter arrangement (which are to include, without limitation, a 3% break-free to be paid from the proceeds of any overbid in favour of the Purchaser), subject to court approval.

150. Subject to obtaining the Initial Order being sought herein, the Primus Entities intend to return to this Court to seek approval of the APA and various

ancillary relief, including, if necessary, the assignment of certain agreements to the extent that necessary consents to such assignments are not obtained prior to the date of the motion.

F. THE PRIMUS ENTITIES ARE INSOLVENT

151. Defaults under the Credit Agreement or the Subordinate Credit Agreement allow the Syndicate or Subordinate Lenders, respectively, to exercise certain remedies, including acceleration of payment of all amounts due under their agreement. Primus Canada does not have sufficient liquidity to satisfy the accelerated payment obligations arising from an event of default under either agreement.

152. The Syndicate lenders require the Primus Entities to proceed expeditiously with obtaining approval and implement the APA and have indicated that they will not extend the forbearance under the Support Agreement otherwise.

153. Without forbearance, the Primus Entities cannot meet their liabilities as they come due and do not have sufficient cash to service their debt obligations. As such, the Primus Entities are insolvent.

154. Further, the Primus Entities require CCAA protection to implement the sale of their assets for the benefit of their stakeholders.

H. FUNDING OF THESE PROCEEDINGS

155. As at November 30, 2015, the Primus Entities' consolidated cash balance as reported in their financial statements was approximately \$2,896,794.

156. The Primus Entities do not contemplate requiring debtor-in-possession financing. The Primus Entities intend to fund the costs of these CCAA proceedings

from cash on hand and the collection of receivables during the pendency of their CCAA proceedings.

157. The Primus Entities, with the assistance of the proposed Monitor, have prepared a five-week consolidated cash flow forecast for the period of January 19, 2016 to February 19, 2016 (the "**Cashflow Forecast**") as prescribed. A copy of the Cashflow Forecast and a report containing the prescribed representations of the Primus Entities regarding the preparation of the Cashflow Forecast will be attached collectively in the reported of the proposed Monitor in connection with this application (the "**Pre-Filing Report**").

158. The Cashflow Forecast estimates that for the period of the Cashflow Forecast, the Primus Entities will have total receipts of approximately \$16.6 million, total operating disbursements of approximately \$10.8 million, and restructuring professional fees of approximately \$1.2 million, resulting in net cash flow of approximately \$4.6 million.

I. PROPOSED INITIAL ORDER

Administration Charge

159. The Primus Entities seek a charge on the assets, property and undertakings of the Primus Entities (the "**Property**") in the maximum amount of \$1,000,000 to secure the fees and disbursements incurred in connection with services rendered to the Primus Entities both before and after the commencement of the CCAA proceedings by U.S and Canadian counsel to the Primus Entities, the Monitor (if appointed) and the Monitor's U.S. and Canadian counsel (the "**Administration Charge**").

160. The Primus Entities worked with the proposed Monitor to estimate the proposed quantum of the Administration Charge and believe it to be reasonable and appropriate in view of the complexities of the Primus Entities' CCAA

proceedings and the services to be provided by the beneficiaries of the Administration Charge.

161. The Initial Order provides that the Administration Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, the "Encumbrances") with notice of this application.

Directors' and Officers' Provisions

162. To ensure the ongoing stability of the Primus Entities' business during the CCAA period and to achieve the successful closing of the APA, the Primus Entities require the continued participation of their directors and officers.

163. The Primus Entities are seeking typical provisions staying all proceedings against the directors and officers of the Primus Entities with respect to all claims that relate to any obligations of the Primus Entities whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers of the Primus Entities.

164. I am advised by Maria Konyukhova of Stikeman Elliott LLP, counsel to the Primus Entities, and do verily believe that in certain circumstances directors can be held liable for certain obligations of a company owing to employees and government entities. As of January 13, 2016, the Primus Entities are potentially liable for directors liabilities in the aggregate amount of approximately \$3,100,000 million.

165. The Primus Entities maintain directors' and officers' liability insurance (the "D&O Insurance") for their directors and officers. The current D&O Insurance policies provide a total of \$15 million in coverage. Under the D&O Insurance, there are deductible for certain claims and the presence of a large number of exclusions

creates a degree of uncertainty. In addition, the contractual indemnities which have been given to the directors and officers cannot be satisfied by the Primus Entities as they do not have sufficient funds to satisfy those indemnities should their directors and officers be found responsible for the full amount of the potential directors' liabilities.

166. I do not believe that it would be possible to obtain additional adequate indemnification insurance for the directors and officers at a reasonable cost.

167. The directors and officers of the Primus Entities have indicated that, due to the significant personal exposure associated with the Primus Entities' aforementioned liabilities, they will not continue their services with the Primus Entities unless the Initial Order grants a charge on the Property in the amount of \$3,100,000 (the "D&O Charge"). The D&O Charge is proposed to rank immediately behind the Administration Charge. Following the approval of the APA (if granted) and implementation of the transaction, it is the intention of the Primus Entities and the beneficiaries of the D&O Charge to reduce the amount of the D&O Charge to reflect the decrease in the potential liabilities that may result in personal liability.

168. The D&O Charge will allow the Primus Entities to continue to benefit from the expertise and knowledge of their directors and officers. The Primus Entities believe the D&O Charge is reasonable in the circumstances.

169. The Initial Order provides that the D&O Charge shall rank in priority to all other Encumbrances, except the Administration Charge, with notice of this application.

Chapter 15

170. Should the Initial Order be granted, the Applicants intend to commence proceedings under Chapter 15 of Title 11 of the United States Code (the

“**Bankruptcy Code**”) in the United States Bankruptcy Court for the District of Delaware (the “**U.S. Court**”). FTI (as monitor, if appointed) will act as the Applicants’ Chapter 15 “foreign representative”.

Comeback Motion

171. The Primus Entities intend to return to Court during the week of February 15, 2016 to seek certain relief on notice to parties to be affected. Among other things, the Primus Entities intend to seek an Order:

- (a) Approving the APA between the Primus Entities and the Purchaser for the sale of the Purchased Assets (as defined in the APA) and the transactions contemplated thereby;
- (b) Vesting all of the Purchased Assets in the Purchaser free and clear of any Encumbrances other than Permitted Encumbrances (as defined in the APA); and
- (c) Assigning, if necessary, the rights and obligations of the Primus Entities under their Essential Contracts (as defined in the APA) to the Purchaser.

J. MONITOR


172. FTI has consented to act as the Court-appointed Monitor of the Primus Entities, subject to Court approval.

173. FTI is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, RSC, 1985, c B-3, as amended, and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.

174. I have been informed by the proposed Monitor that it intends to file a Pre-Filing Report in which it will indicate that the proposed Monitor is supportive of

the relief being sought in favour of the Primus Entities and the existence and amounts of the Administration Charge and the D&O Charge.

SWORN BEFORE ME at the City of
Toronto, Province of Ontario, on
January 18, 2016.



Commissioner for Taking Affidavits



MICHAEL NOWLAN

**Laura Elizabeth Dowsley, a Commissioner, ~~etc.~~,
Province of Ontario, while a Student-at-Law.
Expires April 1, 2017.**

EXHIBIT "A"

referred to in the Affidavit of

MICHAEL NOWLAN

Sworn January 18, 2016



Commissioner for Taking Affidavits

Laura Elizabeth Dowsley, a Commissioner, ~~etc.~~,
Province of Ontario, while a Student-at-Law.
Expires April 1, 2017.

INTERCREDITOR AGREEMENT

This Agreement is made as of the 31st day of July, 2013 among

BANK OF MONTREAL,
as Senior Agent

and

BANK OF MONTREAL,
HSBC BANK CANADA
and
ATB CORPORATE FINANCIAL SERVICES,
as Senior Lenders

and

THE MANUFACTURERS LIFE INSURANCE COMPANY,
as Subordinate Agent

and

THE MANUFACTURERS LIFE INSURANCE COMPANY,
and
BANK OF MONTREAL d.b.a. BMO CAPITAL PARTNERS,
as Subordinate Lenders

and

PTCAN, INC,
as Borrower

and

1616057 ONTARIO LIMITED, GLOBILITY COMMUNICATIONS CORPORATION,
PRIMUS TELECOMMUNICATIONS CANADA INC.,
TELESONIC COMMUNICATIONS INC., PTUS, INC.,
LINGO, INC., IPRIMUS USA, INC. and PT HOLDCO, INC.,
as Guarantors

RECITALS

WHEREAS (a) the Borrower is or may become indebted or obligated to the Creditors (as hereinafter defined), (b) the Guarantors have guaranteed such indebtedness and obligations owing by the Borrower to the Creditors and (c) the Creditors desire to enter into this Agreement to confirm their respective rights and obligations as creditors of the Borrower and the Guarantors, including the respective priorities of the Creditors in connection with the

- 2 -

indebtedness and obligations of the Borrower and the Guarantors to the Creditors and the security therefor.

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follow:

SECTION 1 – INTERPRETATION

1.1 **Definitions.** In this Agreement, the following defined terms will have the following meanings unless the context expressly or by necessary implication otherwise requires:

- (1) **Assets** means all of the present and future properties, assets and undertaking, real and personal, moveable and immovable, of whatsoever nature and kind and wheresoever situate, of the Borrower and each of the Guarantors.
- (2) **Bankruptcy Code** means Title 11 of the United States Code, as amended from time to time and any successor statute and all rules and regulations promulgated thereunder.
- (3) **Business Day** means any day on which banks are generally open for business in Toronto, Ontario, other than a Saturday, Sunday or statutory holiday.
- (4) **Cash Proceeds of Realization** means the aggregate of (i) all Proceeds of Realization in the form of cash, and (ii) all cash proceeds of the sale or other disposition of non-cash Proceeds of Realization.
- (5) **Borrower** means PTCAN, Inc. and its successors by way of amalgamation or otherwise and permitted assigns.
- (6) **Creditors** means the Senior Creditor and the Subordinate Creditor and Creditor shall mean either one of them.
- (7) **Default** means the occurrence of any of the defaults or events of default specified in any Loan Document or in any Security entitling a Creditor to Demand or accelerate payment of any Obligation, either immediately or after a cure period or grace period, or failure of the Borrower or any of the Guarantors to pay any amount which is payable to the Senior Creditor or Subordinate Creditor on demand within the time specified for payment in a Demand made by the Senior Creditor or Subordinate Creditor, as the case may be.
- (8) **Demand** means any notification by a Creditor to the Borrower and/or any of the Guarantors, as the case may be, of a demand for payment under any Loan Document or any Security.
- (9) **Guarantors** means 1616057 Ontario Limited, Globility Communications Corporation, Primus Telecommunications Canada Inc., Telesonic Communications Inc., PTUS, Inc., Lingo, Inc., iPrimus USA, Inc. and PT Holdco, Inc., and any other entity which may hereafter from time to time provide any guarantee (whether secured or unsecured) to and in respect of Senior

- 3 -

Obligations and/or the Subordinate Obligations and each of their respective successors and assigns.

(10) **Hedging Agreements** has the meaning ascribed to such term in the Senior Credit Agreement.

(11) **Insolvency Legislation** means the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy Code* or any other law (whether foreign or otherwise) relating to bankruptcy, insolvency, liquidation, receivership, winding-up, reorganization, arrangement, adjustment, composition or relief of debtors and any similar statute or law in any jurisdiction.

(12) **Insolvency Proceeding** means any bankruptcy, insolvency, receivership, liquidation, dissolution, winding-up, arrangement, restructuring, reorganization or similar proceeding under the laws of any jurisdiction in respect of the Borrower, any Guarantor or the Assets.

(13) **Lien** means any mortgage, hypothec, title retention, pledge, lien, right of set-off, charge, security interest, assignment or other encumbrance of whatsoever nature or kind, whether fixed or floating and howsoever created or arising.

(14) **Loan Documents** means the Senior Loan Documents and the Subordinate Loan Documents.

(15) **Obligations** means the Senior Obligations and the Subordinate Obligations.

(16) **Person** means an individual, partnership, joint venture, trust, corporation, unincorporated organization or any other judicial entity or a governmental state or agency or political subdivision thereof.

(17) **Preparatory Notices** means, collectively, with respect to the Assets (i) any notice pursuant to Section 244(1) of the *Bankruptcy and Insolvency Act* (Canada); and (ii) any notice pursuant to Section 63 of the *Personal Property Security Act* (Ontario) and **Preparatory Notice** means either of them.

(18) **Proceeds of Realization** means all proceeds (including money, choses in action, securities, assets and other property) derived from any sale or disposition of, or other enforcement or realization proceedings with respect to, any of the Assets (a) after any Demand, (b) upon any dissolution, liquidation, winding-up, reorganization (including any proposal under the *Bankruptcy and Insolvency Act* (Canada) or the *Bankruptcy Code* or any reorganization under the *Companies' Creditors Arrangement Act* (Canada)), bankruptcy, insolvency or receivership of the Borrower or any of the Guarantors or any other arrangement or marshalling of the Assets that is similar thereto, (c) upon the enforcement of, or any action taken with respect to, any of the Security, (d) as insurance or expropriation proceeds or any other payment representing indemnity or compensation for loss of, damage to or interruption in the business, operation or enjoyment of all or any part of the Assets or any proceeds thereof (including money, choses in action, securities, assets and other property), or (e) as a result of the exercise of any right of set off or other similar right or remedy, in each case net of all costs, charges and expenses or liabilities

- 4 -

incurred in connection with such sale, disposition, enforcement or realization, including legal fees and all proper costs, charges, expenses and liabilities of any Receiver.

(19) **Receiver** means an interim receiver, a manager, receiver and manager, an agent or other person having similar powers or authority appointed by the Senior Creditor or the Subordinate Creditor, whether by way of a private or court appointment in respect of the Borrower, any of the Guarantors or any of the Assets.

(20) **Security** means the Senior Security and the Subordinate Security.

(21) **Senior Agent** means Bank of Montreal in its capacity as administrative agent pursuant to the Senior Credit Agreement.

(22) **Senior Credit Agreement** means the credit agreement dated as of the date hereof among the Senior Agent, the Senior Lenders and the Borrower, as such agreement may be amended, supplemented or restated from time to time.

(23) **Senior Credit Facility** means, collectively, Facility A and Facility B (as such terms are defined in the Senior Credit Agreement).

(24) **Senior Creditor** means, collectively, the Senior Agent and each Senior Lender, and their respective successors and assigns or, if the context requires, any one of the foregoing.

(25) **Senior Lenders** means each of the lenders from time to time pursuant to the Senior Credit Agreement and each of their respective affiliates party to any Hedging Agreement or Service Agreement and Senior Lender means any of them.

(26) **Senior Loan Documents** means the Senior Credit Agreement and all other documents, instruments and agreements (including security agreements and any guarantees and security agreements delivered by the Guarantors) now or hereafter executed in connection therewith, in each case as the same may be amended, modified, supplemented, restated or replaced from time to time.

(27) **Senior Obligations** means all debts, obligations and liabilities, present or future, direct or indirect, absolute or contingent, matured or unmatured, and whether as principal debtor, guarantor, surety or otherwise at any time owing under any of the Senior Loan Documents by the Borrower or any of the Guarantors, as the case may be, to the Senior Creditor (including, without limitation, any amounts owing pursuant to Hedging Agreements and Service Agreements established by any Senior Creditor for the Borrower or any Guarantor) or remaining unpaid by the Borrower or any of the Guarantors, as the case may be, to the Senior Creditor, and includes any extension, renewal, refunding or refinancing of any Senior Obligations.

(28) **Senior Security** means any and all Liens now or hereafter granted by the Borrower or any of the Guarantors to the Senior Creditor from time to time as security for all or any part of the Senior Obligations, in each case as the same may be amended, modified, supplemented, restated or replaced from time to time.

- 5 -

(29) **Service Agreements** has the meaning ascribed to such term in the Senior Credit Agreement.

(30) **Standstill Notice** means written notice from the Senior Agent or the Subordinate Agent, as the case may be, that a Default has occurred and is continuing and such notice specifies the nature of the Default which has occurred.

(31) **Standstill Period** means the period commencing upon the earlier of: (a) receipt by the Senior Agent of a Standstill Notice from the Subordinate Agent, or (b) receipt by the Subordinate Agent of a Standstill Notice from the Senior Agent, and, in the case of (a) or (b), as applicable, ending upon the earliest of: (x) the date upon which the Creditor who received the Standstill Notice receives a further written notice from the other Creditor that the Default(s) has been cured; (y) the date upon which the Creditor who received the Standstill Notice receives a further written notice from the other Creditor that the other Creditor has waived the Default(s); or (z) one hundred and eighty (180) days (or such earlier date determined by the application of the last sentence of Section 3.7 hereof) after the date upon which the Standstill Notice is received, or deemed to be received by the Creditor to whom the Standstill Notice was given.

(32) **Subordinate Agent** means The Manufacturers Life Insurance Company and its successors and assigns.

(33) **Subordinate Credit Agreement** means the subordinate credit agreement dated as of the date hereof among the Subordinate Agent, as collateral agent, the Subordinate Lenders and the Borrower, as such agreement may be amended, supplemented or restated from time to time.

(34) **Subordinate Creditor** means, collectively, the Subordinate Agent and each Subordinate Lender, and their respective successors and assigns or, if the context requires, any of the foregoing.

(35) **Subordinate Lenders** means each of the lenders from time to time pursuant to the Subordinate Credit Agreement and **Subordinate Lender** means any of them.

(36) **Subordinate Loan Documents** means the Subordinate Credit Agreement and all other documents, instruments and agreements (including security agreements and any guarantees and security agreements delivered by any of the Guarantors) now or hereafter executed in connection therewith, in each case as the same may be amended, modified, supplemented, restated or replaced from time to time.

(37) **Subordinate Obligations** means all debts, obligations and liabilities, present or future, direct or indirect, absolute or contingent, matured or unmatured, and whether as principal debtor, guarantor, surety or otherwise at any time owing under any of the Subordinate Loan Documents by the Borrower or any of the Guarantors, as the case may be, to the Subordinate Creditor or remaining unpaid by the Borrower or any of the Guarantors, as the case may be, to the Subordinate Creditor and includes any extension, renewal, refunding or refinancing of any Subordinate Obligations.

(38) **Subordinate Security** means any and all Liens now or hereafter granted by the Borrower or any of the Guarantors to the Subordinate Creditor from time to time as security for all of or

- 6 -

any part of the Subordinate Obligations, in each case as the same may be amended, modified, supplemented, restated or replaced from time to time.

(39) **Term Facility** means Facility B (as such term is defined in the Senior Credit Agreement).

1.2 **References.** References to “this Agreement”, “the Agreement”, “hereof”, “herein”, “hereto” and like references refer to this Intercreditor Agreement and not to any particular Article, Section or other subdivision of this Intercreditor Agreement. Any references to “this Agreement”, “the Agreement”, “hereof”, “herein”, “hereto” and like references refer to this Intercreditor Agreement, as amended; modified, supplemented or restated from time to time in accordance with the terms hereof. In this Agreement, the word “includes” or “including” means “includes without limitation” or “including without limitation”. Where the context so requires, words importing the singular number will include the plural and vice versa. The division of this Agreement into Articles, Sections and the insertion of headings in this Agreement are for convenience of reference only and will not affect the construction or interpretation of this Agreement. Time is of the essence of this Agreement.

1.3 **Applicable Law.** This Agreement will be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

1.4 **Paramountcy.** If there is a conflict or inconsistency between the provisions of this Agreement and the provisions of any other agreement which is referred to herein or delivered pursuant hereto, as between the Creditors, the provisions of this Agreement will prevail, provided that nothing in this Agreement is intended to or will impair, as between the Borrower or the Guarantors, as the case may be, and either of the Creditors, the obligations of the Borrower or the Guarantors, as the case may be, to pay the Obligations when due. For greater certainty, as between each Creditor and the Borrower, the applicable Loan Documents shall prevail.

1.5 **No Rights Conferred on Borrower/Guarantors.** Nothing in this Agreement will be construed as conferring any rights upon the Borrower, the Guarantors or any third party. The terms and conditions hereof are and will be for the sole and exclusive benefit of the Creditors. The Borrower and each of the Guarantors, by its execution of this Agreement, hereby agrees to be bound by, and will act in accordance with, the terms, provisions and intent of this Agreement; however, neither the Borrower nor any of the Guarantors will take any right, benefit or advantage in the Borrower being a party to this Agreement, and, subject to Section 6.5, this Agreement may be amended, modified, supplemented or restated without notice to, or the consent of, the Borrower and the Guarantors.

1.6 **Consent.** The Borrower and each of the Guarantors hereby irrevocably consents to each Creditor providing the other Creditor with such information, financial or otherwise, regarding the Borrower, the Guarantors, the Obligations and the Security as may be deemed advisable by the Creditors from time to time.

- 7 -

SECTION 2 – CONSENT**2.1 Consent of Creditors.**

(1) Each Creditor consents to the incurring or assuming by the Borrower and the Guarantors of the Obligations and the granting or assuming by the Borrower and the Guarantors of the Security and confirms that such action does not and will not constitute a default under or otherwise contravene any of the Loan Documents or any of the Security.

(2) Each Creditor represents to the other Creditor as follows:

- (i) the Senior Creditor represents that, as of the date hereof, the maximum authorized principal amount of the Senior Obligations (which, for greater certainty, is not inclusive of Indebtedness under Hedge Arrangements or Service Agreements) pursuant to the Senior Credit Agreement is the principal amount of \$70,000,000 and that the Senior Creditor has no other indebtedness owing to them by the Borrower or the Guarantors other than pursuant to the Senior Loan Documents; and
- (ii) the Subordinate Creditor represents that, as of the date hereof, the outstanding principal amount owing pursuant to the Subordinate Credit Agreement is \$20,000,000 and there is no other indebtedness owing to it by the Borrower or the Guarantors other than pursuant to the Subordinate Loan Documents.

(3) The Subordinate Agent represents in favour of the Senior Creditor that it will obtain no guarantee or security from the Borrower or any Guarantor unless the Senior Agent has obtained substantially the same guarantee and/or security.

SECTION 3– PRIORITY OF OBLIGATIONS AND SECURITY

3.1 Priority of Obligations and Security. The Subordinate Creditor agrees that, except as otherwise expressly provided herein, the Subordinate Obligations are fully subordinated to the prior repayment in full of all Senior Obligations, and the Senior Obligations and the Senior Security will have priority, to the full extent of the Senior Obligations, over the Subordinate Obligations and the Subordinate Security in all respects and at all times. For greater certainty, the Security with respect to the Assets shall rank in descending order of priority as follows: (a) firstly, the Senior Security to the full extent of the Senior Obligations, and (b) secondly, the Subordinate Security to the full extent of the Subordinate Obligations.

3.2 Payment of Senior Obligations. The Subordinate Creditor agrees with the Senior Creditor that, at any time, the Borrower or any of the Guarantors, as the case may be, may make and the Senior Creditor may accept any payment or prepayment in respect of the Senior Obligations, or any part thereof, whether or not any Default has occurred.

3.3 Payment of Subordinate Obligations.

Neither the Borrower nor any of the Guarantors will make nor will any of them be entitled to make, and the Subordinate Creditor will not accept and will not be entitled to accept, any

- 8 -

payment or prepayment of any principal, interest or other amount in respect of the Subordinate Obligations, whether in the form of cash, securities or other forms of property, by the exercise of a right of set off or other similar right or remedy, or in any other manner whatsoever.

Notwithstanding the foregoing:

(a) prior to the commencement of a Standstill Period, the Borrower may make, and the Subordinate Creditor may receive (i) the fees due and payable pursuant to the Subordinate Credit Agreement on the date hereof (in the amount of \$300,000) and on December 31, 2013 (in the amount of \$200,000), (ii) reimbursement of reasonable expenses due from time to time under the Subordinate Loan Documents, and (iii) monthly payments of cash interest owing by the Borrower to the Subordinate Creditor in accordance with the Subordinate Credit Agreement (which, for certainty, is 13% per annum (4% of which may be converted to PIK or deferred interest at the option of the Borrower));

(b) during any Standstill Period, the Borrower and the Guarantors may make payments of reasonable expenses due from time to time under the Subordinate Loan Documents in an amount not to exceed \$100,000 in the aggregate so long as (i) no Creditor has taken any steps to enforce the Security, or (ii) no Insolvency Proceeding has been initiated; and

(c) following the expiration of any Standstill Period, the Borrower may make, and the Subordinate Creditor may receive (i) monthly payments of cash interest owing by the Borrower to the Subordinate Creditor in accordance with the Subordinate Credit Agreement, and (ii) payment of all monthly interest payments that were blocked and not paid during such Standstill Period (the "**Catch-up Payment**"); provided that (A) the Borrower is in *pro forma* compliance (after giving effect to the payment of the Catch-Up Payment) with the financial covenants contained in the Senior Credit Agreement in effect on the date that the Catch-Up Payment is made, and (B) no other Default exists at the time that the Catch-Up Payment is made or would be caused by the making of the Catch-Up Payment.

3.4 Payment of Subordinate Obligations During Standstill Period. The Senior Agent may issue a Standstill Notice at any time after a Default has occurred and is continuing. Upon receipt by the Subordinate Creditor of a Standstill Notice in accordance with the provisions of this Agreement, the Subordinate Creditor shall immediately cease receiving any and all payments from the Borrower or any of the Guarantors, as the case may be, on account of the Subordinate Obligations, including, without limitation, those payments more particularly described in Section 3.3 hereof (other than as provided for therein). Any payment or distribution received by the Subordinate Creditor in violation of the immediately preceding sentence shall be held in trust by the Subordinate Agent for the benefit of the Senior Creditors and shall be promptly paid over to the Senior Agent for application to the Senior Obligations.

3.5 Certain Covenants of Subordinate Creditor. Without the prior written consent of the Senior Agent, the Subordinate Creditor agrees that it will not and will not be entitled to:

(1) enforce any Subordinate Security or take any actions, in furtherance thereof prior to the expiry of a Standstill Period;

- 9 -

- (2) appoint a Receiver of the Borrower, any of the Guarantors or the Assets, petition the Borrower or any of the Guarantors into bankruptcy or initiate any similar proceeding prior to the expiry of a Standstill Period;
- (3) commence or initiate any action or proceeding to recover or receive payment of any of the Subordinate Obligations prior to the expiry of a Standstill Period except in accordance with this Section 3.5; or
- (4) obtain any prepayments of principal comprising the Subordinate Obligations prior to the payment of full of the Senior Obligations.

However, notwithstanding the foregoing, the Subordinate Creditor may (i) file a proof of claim or attend and vote at a meeting of creditors in connection with any action, suit or proceeding whether under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) or otherwise, (ii) issue one or more Preparatory Notices in connection with the Subordinate Security, (iii) take action for non-payment of the Subordinate Obligations for the purposes of obtaining a monetary judgement in respect thereof, provided that no measure is taken to enforce any judgment granted in such action, (iv) take action that is required to preserve the validity, perfection or priority of the Subordinate Obligations, (v) Demand payment of the Subordinate Obligations, (vi) accelerate the Subordinate Obligations or (vii) give a notice of default to the Borrower and provide concurrent notices to the Senior Agent pursuant to Section 4.1 hereunder.

For greater certainty, following the expiration of a Standstill Period, the Subordinate Creditor may take any or all of the actions described in Section 3.5(1), (2) or (3) above without the prior written consent of the Senior Agent.

3.6 No Challenge. Notwithstanding Section 3.5, neither Creditor will, in any manner, challenge, contest or bring into question the validity, priority, perfection or enforceability of any of the Obligations or the Security or take any action whereby the priorities set within this Agreement might be impaired or defeated.

3.7 Standstill Period. For greater certainty, if at any time a Default or, if more than one, all of the Defaults, set out in a Standstill Notice or multiple Standstill Notices issued by a Creditor is or are (a) cured (if and to the extent capable of cure), or (b) waived or revoked by such Creditor, then such Creditor will not be entitled to take any steps to enforce payment of the applicable Obligations but will have to rely on the issuance of a fresh Standstill Notice, in respect of a fresh Default, and the expiration of another Standstill Period. In addition, there may only be an aggregate of 225 days of standstill in any given 365-day period.

3.8 Restrictions on Amendments to Senior Loan Documents. Without the prior written consent of the Subordinate Agent, such consent not to be unreasonably withheld, the Senior Creditor shall not amend or otherwise modify the Senior Loan Documents, or otherwise take any other action, so as to (i) at any time, extend credit accommodation (excluding, for certainty, Hedge Agreements and Service Agreements) to the Borrower in a principal amount which exceeds \$77,000,000, less the aggregate of all payments of principal under the Term Facility; (ii) increase the interest rates applicable to the Senior Obligations from those in effect on the date of

- 10 -

this Agreement (other than by reason of the occurrence of a Default under the Senior Loan Documents and then in accordance with the Senior Loan Documents) by more than 2% above the interest rate formula set forth in the Senior Credit Agreement on the date hereof, above the interest rate formulas currently set forth in the Senior Credit Agreement; (iii) re-advance any amount repaid in connection with the Term Facility; (iv) prohibit the Borrower or any of the Guarantors from making payments in respect of the Subordinate Obligations that, in each case, are permitted by this Agreement; (v) shorten the amortization schedule for any Senior Obligations or increase the amount of any scheduled principal payments on any Senior Obligations from those in effect on the date of this Agreement or as otherwise subsequently agreed to by the Subordinate Agent; or (vi) impose any fees or other charges on the Borrower or any of the Guarantors in connection with the waiver of one or more Defaults under the Senior Loan Documents, except in an aggregate amount that does not exceed, in any 365 (or 366 if applicable) day period, 2% of the maximum committed principal amount of Senior Obligations that is outstanding during such 365 (or 366 if applicable) day period.

3.9 Restrictions on Amendments to Subordinate Loan Documents. Without the prior written consent of the Senior Agent, such consent not to be unreasonably withheld, the Subordinate Creditor shall not amend or otherwise modify the Subordinate Loan Documents, or otherwise take any other action, so as to (i) increase the principal amount owing pursuant to the Subordinate Credit Agreement (other than increases resulting from the capitalization of interest and other amounts not paid in cash as a result of the application of the provisions of Section 3.3 hereof); (ii) increase the interest rates applicable to the Subordinate Obligations from those in effect on the date of this Agreement (other than by reason of the occurrence of a Default under the Subordinate Loan Documents as provided in subsection (iii) below) by more than 2% (provided that such increased interest is PIK interest and not cash pay); which for greater certainty is a current cash pay interest rate of 13% (4% of which may be converted to deferred or PIK interest at the option of the Borrower); (iii) make any new loans to the Borrower or any Guarantor or re-advance any of the existing loans made pursuant to the Subordinate Credit Agreement; (iv) charge a default rate of interest in excess of 2% (and for greater certainty, such default rate of interest shall only be PIK interest and not cash pay); (v) shorten the scheduled maturity of any Subordinate Obligations from those in effect on the date of this Agreement; (vi) impose any scheduled principal payments or amortization schedule on any Subordinate Obligations; (vii) impose any fees or other charges on the Borrower or any of the Guarantors in connection with the waiver of one or more Defaults under the Subordinate Loan Documents, except in an aggregate amount that does not exceed, in any 365 (or 366 if applicable) day period, 2% of the maximum principal amount of Subordinate Obligations that is outstanding during such 365 (or 366 if applicable) day period; or (viii) amend or modify the provisions of any of the Subordinate Loan Documents in any manner which is more onerous than the provisions of the Subordinate Loan Documents in effect on the date of this Agreement unless corresponding changes have been or are being made to the Senior Loan Documents.

3.10 Sub-Agency of Senior Agent

(a) The Senior Agent agrees that if it shall at any time hold a Lien pursuant to the Senior Security on any Assets that can be perfected by the possession or control of such Assets or by control over any account in which such Assets is held, and if such Assets or any such account is in fact in the possession or under the control of the Senior Agent, or of agents or bailees of the

- 11 -

Senior Agent (such Assets being referred to herein as the “**Pledged or Controlled Assets**”), the Senior Agent, shall, solely for the purpose of perfecting the Liens granted pursuant to the Subordinate Security and subject to the terms and conditions of this Section 3.10, also hold such Pledged or Controlled Assets as gratuitous bailee for the Subordinate Agent.

(b) The obligations and responsibilities of the Senior Agent to the Subordinate Agent under this Section shall be limited solely to holding or controlling the Pledged or Controlled Assets as gratuitous bailee in accordance with this Section 3.10. Without limiting the foregoing, the Senior Agent shall have no obligation or responsibility to ensure that any Pledged or Controlled Assets is genuine or owned by the Borrower or the Guarantors. The Senior Agent acting pursuant to this Section 3.10 shall not, by reason of this Agreement, any other Senior Loan Document or any other document, have a fiduciary relationship in respect of any other Senior Lender or the Subordinate Creditor.

(c) Upon payment in full of the Senior Obligations, the Senior Agent shall transfer the possession and control of the Pledged or Controlled Assets, together with any necessary endorsements but without recourse or warranty, (i) if the Subordinate Obligations are outstanding at such time and the Pledged or Controlled Assets have been pledged to the Subordinate Agent as part of the Subordinate Security, to the Subordinate Agent and (ii) if no Subordinate Obligations are outstanding at such time or the Pledged or Controlled Assets have not been pledged to the Subordinate Agent as part of the Subordinate Security, to the Borrower, in each case so as to allow such Person to obtain possession and control of such Pledged or Controlled Assets. In connection with any transfer under clause (i) of the immediately preceding sentence, the Senior Agent agrees to take reasonable actions in its power (with all costs and expenses in connection therewith to be for the account of the Borrower and the Guarantors) as shall be reasonably requested by the Subordinate Agent to permit the Subordinate Agent to obtain a first priority security interest in the Pledged or Controlled Assets.

3.11 Insurance and Condemnation Awards. So long as the Senior Obligations have not been paid in full, the Senior Creditor shall have the exclusive right, subject to the rights of the Borrower and the Guarantors under the Senior Credit Agreement, to settle and adjust claims in respect of the Assets under policies of insurance and to approve any award granted in any condemnation or similar proceeding. All proceeds of any such policy and any such award, shall (a) first, subject to the terms of the Senior Credit Agreement, be paid to the Senior Agent for the benefit of Senior Lenders pursuant to the terms of the Senior Loan Documents, (b) second, after the payment in full of the Senior Obligations and in accordance with the terms of the Subordinate Credit Agreement, be paid to the Subordinate Agent for the benefit of the Subordinate Lenders pursuant to the terms of the Subordinate Loan Documents, and (c) third, if no Obligations are outstanding, be paid to the owner of the subject property, to such other Person as may be entitled thereto or to such Person as a court of competent jurisdiction may otherwise direct. Until the payment in full of the Senior Obligations, if the Subordinate Creditor shall, at any time, receive any proceeds of any such insurance policy or any such award or payment to which it is not entitled hereunder, it shall segregate and hold in trust and forthwith transfer and pay over such proceeds to the Senior Agent to be applied against the Senior Obligations.

3.12 Liquidation, Dissolution, Bankruptcy, etc.

- 12 -

(a) In the event of any distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the Assets or in the event of any other payment or distribution to creditors of the Borrower or any Guarantor (including, without limitation, any dividends in a bankruptcy and any payment or distributions of cash or of securities of the Borrower, any Guarantor or another person under a plan of arrangement) in connection with any Insolvency Proceeding relating to the Borrower or any Guarantor, the Senior Lenders shall (subject to the terms of this Agreement) be entitled to receive payment in full (including interest accruing to the date of receipt of such payment at the applicable rate whether or not allowed as a claim in any such proceeding) of the Senior Obligations before the Subordinate Lenders are entitled to receive any direct or indirect payment or distribution of any cash or other property on account of the Subordinate Obligations, and the Senior Lenders shall be entitled to receive directly, for application in payment of such Senior Obligations (to the extent necessary to pay all Senior Obligations in full after giving effect to any substantially concurrent payment or distribution to the Senior Lenders in respect of the Senior Obligations), any payment or distribution of any kind or character, whether in cash or other property, which shall be payable or deliverable upon or with respect to the Subordinate Obligations. To the extent any payment of Senior Obligations (whether by or on behalf of the Borrower or any Guarantor, as proceeds of security or enforcement of any right of set-off or otherwise) is declared to be a fraudulent preference or otherwise preferential, set aside, disallowed, rescinded or required to be paid to a trustee, receiver or other similar person under applicable law, then if such payment is recoverable by, or paid over to, such trustee, receiver or other person, the Senior Obligations or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

(b) In order to enable the Senior Lenders to enforce their rights hereunder in any of the actions or proceedings described in this Section 3.12, upon the failure of the Subordinate Lenders (after request by the Senior Agent therefor) to make and present on a timely basis (such timeline to be decided by the Subordinate Lenders and the Senior Lenders, acting reasonably, based on the circumstances surrounding the actions or proceedings described in this Section 3.12) a proof of claim against the Borrower or any Guarantor on account of the Subordinate Obligations or other motion or pleading as may be expedient or proper to establish the Subordinate Lenders' entitlement to payment of any Subordinate Obligations, the Senior Agent for and on behalf of the Senior Lenders is hereby irrevocably authorized and empowered, in its discretion and at its expense (reimbursable by the Borrower), to make and present for and on behalf of the Subordinate Lenders such proofs of claims or other motions or pleadings and to demand, receive and collect any and all dividends or other payments or disbursements made thereon in whatever form the same may be paid or issued and to apply the same on account of the Senior Obligations in accordance with Section 6 of this Agreement. The Subordinate Agent and the Subordinate Lenders hereby covenant and agree not to exercise any voting right or other privilege that it may have from time to time in any bankruptcy or insolvency proceeding pursuant to Insolvency Legislation in favour of any plan, proposal, compromise, arrangement or similar transaction or to make or to join in any claim or other action that would defeat: (a) the right of the Senior Lenders to receive payments and distributions in accordance with this Agreement otherwise payable or deliverable upon or with respect to the Subordinate Obligations so long as any Senior Obligations remain outstanding; or (b) the obligation of the Subordinate Lenders to receive, hold in trust, and pay over to the Senior Lenders certain payments and distributions as contemplated by this Agreement. All allocations of payments between the Senior Lenders and the Subordinate

- 13 -

Lenders shall, subject to any court order to the contrary, continue to be made after the commencement of any Insolvency Proceeding, on the same basis that the payments were to be allocated hereunder prior to the date of such filing. The Subordinate Lenders hereby agree that the priorities and subordination agreed to in this Agreement shall, as between the Creditors, be paramount to any plan, proposal, compromise, arrangement or similar transaction in connection with the Borrower or any Guarantor. The Subordinate Agent and the Subordinate Lenders hereby agree that this Agreement be deemed and hereby is a subordination agreement under Section 510(a) of the Bankruptcy Code and effective in any Insolvency Proceeding.

(c) **DIP Financing and Use of Cash Collateral**

- (i) Until the payment in full of all of the Senior Obligations, if an Insolvency Proceeding has been commenced by or against the Borrower or a Guarantor, the Subordinate Lenders will not contest, protest or object to (1) any use of "cash collateral" (as defined in Section 363(a) of the Bankruptcy Code), or (2) any provision of financing under Section 364 of the Bankruptcy Code or any similar reorganization or bankruptcy laws to the Borrower or any Guarantor ("**DIP Financing**") by the Senior Lenders, subject to limitations set out in Section 3.8(i) hereof.
- (ii) No Subordinate Lender may provide DIP Financing to the Borrower or any Guarantor secured by Liens equal or in priority to the Liens securing any Senior Obligations.

(d) The Subordinate Agent and the Subordinate Lenders, agree that they shall not object to, contest, or support any other Person objecting to or contesting, (i) any request by the Senior Agent or the Senior Lenders for adequate protection, (ii) any objection by the Senior Agent or the Senior Lenders to any motion, relief, action or proceeding based on a claim of a lack of adequate protection, or (iii) the payment of interest, fees, expenses or other amounts to the Senior Agent or the Senior Lenders under Section 506(b) or 506(c) of the Bankruptcy Code or otherwise. Notwithstanding anything contained in this Section, in any Proceeding, (x) the Subordinate Agent and the Subordinate Lenders may seek, support, accept or retain adequate protection (A) only if the Senior Agent and the Senior Lenders are granted adequate protection that includes replacement Liens on additional collateral and superpriority claims and (B) solely in the form of (1) a replacement Lien on such additional collateral, subordinated to the Liens in favor of the Senior Agent or the Senior Lenders and such DIP Financing on the same basis as the other Liens in favor of the Subordinate Agent and the Subordinate Lenders are so subordinated to the Senior Obligations under this Agreement, and (2) solely to the extent that the Assets pledged or secured by the Subordinate Loan Documents has been diminished in connection with such Proceeding, superpriority claims junior in all respects to the superpriority claims granted to the Senior Agent and the Senior Lenders, and (y) in the event the Subordinate Agent or the Subordinate Lenders receive adequate protection, including in the form of additional collateral, then the Subordinate Agent and the Subordinate Lenders, agree that the Senior Creditor shall have a senior Lien and claim on such adequate protection as security for the Senior Obligations and that any Lien on any additional collateral securing the Subordinate Obligations shall be subordinated to the Liens on such collateral securing the Senior Obligations and any DIP Financing (and all indebtedness, obligations, and liabilities relating thereto) and any other Liens

- 14 -

granted to the Senior Creditor as adequate protection, with such subordination to be on the same terms that the other Liens securing the Subordinate Obligations are subordinated to such Senior Obligations under this Agreement.

SECTION 4 – ENFORCEMENT AND REMEDIES

4.1 **Notice.** Each of the Senior Agent and the Subordinate Agent agrees to give the other (a) concurrent notice of the occurrence of a Default under its Loan Documents if notice thereof is given to or received from the Borrower or any of the Guarantors, (b) concurrent notice of a Demand made by it under its Loan Document, and (c) prior notice of the exercise of enforcement remedies; provided that they shall not incur any liability for failure to provide such notice (except as provided by any applicable law).

4.2 **Remedies.** Each Creditor acknowledges that all covenants, provisions and restrictions contained herein are necessary and fundamental in order to establish the respective priorities of the Creditors in connection with the Obligations and the Security, and that a breach of any such covenant, provision or restriction would result in damages that could not adequately be compensated by monetary award. Accordingly, it is expressly agreed that, in addition to all other remedies available to it, including any action for damages, a Creditor will be entitled to the immediate remedy of a restraining order, interim injunction, injunction or other form of injunctive or other relief as may be decreed or issued by any court of competent jurisdiction to restrain or enjoin the other Creditor from breaching any such covenant, provision or restriction.

4.3 **Application of Cash Proceeds of Realization.** All Cash Proceeds of Realization will be applied and distributed, and the Security will be deemed to have the relative priorities which would result in the Cash Proceeds of Realization being applied and distributed, as follows:

- (1) firstly, to the payment of all reasonable costs and expenses incurred by the Senior Creditor in the exercise of all or any of the powers granted to it under the Senior Security and in payment of the remuneration of any Receiver and all costs incurred by such Receiver in the exercise of all or any powers granted to it under the Senior Security;
- (2) secondly, to the payment or prepayment in full of the Senior Obligations (including holding Cash Proceeds of Realization as cash collateral to be applied against Senior Obligations which have not then matured) with the amount owing to the Senior Creditor not being in excess of the aggregate of the lesser of (excluding the Hedge Agreements and Service Agreements) (A) \$77,000,000, less the aggregate of all payments of principal under the Term Facility and all accrued or capitalized interest and fees thereon; and (B) the outstanding principal indebtedness under the Senior Credit Agreement plus all accrued or capitalized interest and fees thereon;
- (3) thirdly, to the payment of all reasonable costs and expenses incurred by the Subordinate Creditor in the exercise of all or any of the powers granted to it under the Subordinate Security and in payment of the remuneration of any Receiver and all costs incurred by such Receiver in the exercise of all or any powers granted to it under the Subordinate Security, provided that the Subordinate Creditor is permitted to exercise such powers and to appoint a Receiver pursuant to this Agreement;

- 15 -

- (4) fourthly, to the payment or prepayment in full of the Subordinate Obligations (including holding Cash Proceeds of Realization as cash collateral to be applied against Subordinate Obligations which have not then matured), with the amount owing to the Subordinate Creditor not being in excess of the aggregate of the lesser of (A) \$20,000,000 and all accrued or capitalized interest and fees thereon and (B) the outstanding principal indebtedness under the Subordinate Credit Agreement plus all accrued or capitalized interest and fees thereon;
- (5) fifth, to any remaining amounts owing to the Senior Creditor in connection with the Senior Obligations;
- (6) sixth, to any remaining amounts owing to the Subordinate Creditor in connection with the Subordinate Obligations; and
- (7) the balance, if any, in accordance with applicable law.

4.4 Proceeds Held in Trust. If any non-cash Proceeds of Realization are delivered to or received by the Subordinate Creditor, or in respect of the Subordinate Obligations, prior to termination of this Agreement in accordance with Section 6.14, the Subordinate Creditor will hold non-cash Proceeds of Realization in trust for the Senior Creditor and will forthwith deliver such non-cash Proceeds of Realization to the Senior Agent. If any Cash Proceeds of Realization, prepayments or other payments are made to or received by the Subordinate Creditor in contravention of this Agreement, the Subordinate Creditor will hold such Cash Proceeds of Realization, prepayments or payments in trust for the Senior Creditor and will forthwith pay such Cash Proceeds of Realization, prepayments or payments to the Senior Agent for application in accordance with Section 4.3 hereof. For greater certainty, the Subordinate Creditor agrees that, if all or any part of any payment made on account of the Senior Obligations is recovered by the Subordinate Creditor from the Senior Creditor as a preference, fraudulent transfer or similar payment under any Insolvency Legislation or other law, any payment or distribution received by the Subordinate Creditor on the Subordinate Obligations will be deemed to have been received by it in trust for the Senior Creditor and will promptly be paid over to the Senior Agent until the satisfaction in full in cash of all Senior Obligations. Should the Subordinate Creditor fail to promptly pay over and deliver or cause to be paid over or delivered such payment or Proceeds of Realization, to the Senior Agent, the Subordinate Creditor agrees that it shall reimburse the Senior Creditor entitled thereto for the full amount of such payment or Proceeds of Realization it has received and all of the costs of collection and recovery thereof, including reasonable legal fees and disbursements.

4.5 Appointment of Receiver. Whether before or after a Standstill Period and until such time as the Senior Obligations have been paid in full, any Receiver appointed by the Senior Creditor shall be entitled to exclusive possession, custody and control of the Assets. In the event that the Subordinate Creditor appoints a Receiver of the Borrower or any Guarantor or over any of the Assets and thereafter the Senior Creditor appoints a Receiver of the Borrower, such Guarantor or such Assets, the Subordinate Creditor shall terminate the appointment of its Receiver upon request by the Senior Agent.

- 16 -

SECTION 5 – REPRESENTATIONS AND WARRANTIES OF CREDITORS

5.1 **Representations and Warranties.** To induce each Creditor to extend credit to the Borrower and to continue to extend credit to the Borrower under the Loan Documents, each Creditor hereby represents and warrants to the other Creditor as follows and acknowledges and confirms that each Creditor is relying upon such representations and warranties in continuing to extend credit to the Borrower under the Loan Documents:

- (a) Each Creditor has all requisite capacity, power and authority to enter into and carry out the transactions contemplated by this Agreement.
- (2) All necessary action, corporate or otherwise, has been taken to authorize the execution, delivery and performance of this Agreement by each Creditor and each Creditor has duly executed and delivered this Agreement.
- (3) This Agreement is a legal, valid and binding obligation of each Creditor, enforceable against each Creditor by the other Creditor in accordance with its terms subject to limitations with respect to enforcement imposed by law in connection with bankruptcy or similar proceedings affecting creditors' rights generally and to the extent that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought.

SECTION 6 – MISCELLANEOUS

6.1 **Application of this Agreement.** The rights of the Creditors and the priorities of the Security and the Obligations set out in this Agreement will apply irrespective of any matter or thing, including:

- (1) the validity or enforceability of any provision of the Security and the Loan Documents or any agreement forming part of the Obligations;
- (2) the time of creation, granting, execution, delivery, attachment, registration (to the extent registration is required), filing, perfection, crystallization or enforcement of any of the Obligations or the Security or any part thereof;
- (3) the jurisdictions where any of the Security is registered or the failure of either Creditor to properly register or perfect any of the Security in any particular jurisdiction;
- (4) the time of any loan, advance or other extension of credit made to the Borrower by either Creditor;
- (5) the time of Default or Demand;
- (6) any priority otherwise accorded to the Obligations and the Security under applicable law;
- (7) any failure of, or delay by, the Senior Agent or any Senior Lender:

- 17 -

- (i) to assert any claim or demand or to enforce any right, power or remedy against the Borrower or any Guarantor under the Senior Loan Documents, any applicable law or otherwise; or
 - (ii) to exercise any right, power or remedy against the Borrower any Guarantor or the Senior Security;
- (8) the provisions of the instruments or documents creating any of the Security; or
- (9) any other matter whatsoever which might otherwise constitute a defense available to, or a legal or equitable discharge of, or otherwise prejudicially affect the subordination herein provided.

Any action taken or thing done by a Creditor in contravention of this Agreement will be null and void and of no effect.

6.2 No Release. This Agreement shall remain in full force and effect without regard to, and the obligations of the Creditors hereunder shall not be released or otherwise affected or impaired by:

- (1) any exercise or non-exercise by the Senior Lenders of any right, remedy, power or privilege in any of the Senior Loan Documents;
- (2) any waiver, consent, extension, indulgence or other action, inaction or omission by the Senior Lenders under or in respect of this Agreement or any of the Senior Loan Documents;
- (3) any default by the Borrower or any Guarantor under, any limitation on the liability of the Borrower or any Guarantor on the method or terms of payment under, or any irregularity or other defect in, any of the Senior Loan Documents;
- (4) the lack of authority or revocation hereof by any other Person;
- (5) any defence based upon an election of remedies by a Creditor which destroys or otherwise impairs the subrogation rights of the other Creditor;
- (6) any merger, consolidation or amalgamation of the Subordinate Agent, any Subordinate Lender or, the Borrower or any Guarantor, into or with any other Person;
- (7) any Insolvency Proceeding pursuant to Insolvency Legislation in respect of the Subordinate Lenders, the Senior Lenders or any of them; or
- (8) any Insolvency Proceeding affecting the Borrower or any Guarantor.

6.3 Agreement Not to Apply. As between the Creditors, nothing contained in this Agreement shall be construed as entitling a Creditor to receive any Proceeds of Realization in respect of which such Creditor's Security has been judicially determined by final judgment to be invalid, unperfected or unenforceable against third parties. Furthermore, if any third party shall have a claim to any Proceeds of Realization in priority to or on a parity with one Creditor but not

- 18 -

in priority to or on a parity with the other Creditor, then this Agreement shall not apply so as to diminish the rights (as such rights would have been but for the provisions hereof) of such other Creditor to such Proceeds of Realization. Nothing contained in this Agreement shall be construed as conferring any rights upon any person other than the Creditors.

6.4 Continuing Agreement. This Agreement shall constitute a continuing agreement, even though at times, neither the Borrower nor any of the Guarantors is indebted to a Creditor under the applicable Loan Documents but either Creditor remains committed to advance additional funds under the respective Loan Documents and each Creditor may continue, without notice to the other Creditor, to lend money, extend credit and make other financial accommodations to or for the account of the Borrower on the faith hereof

6.5 Waivers and Amendments. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Creditors and, but only to the extent that any such waiver, amendment, supplement or other modification, as the case may be, directly impacts on the obligations and duties of the Borrower and/or any of the Guarantors under this Agreement, is consented to by the Borrower and/or the Guarantors, as the case may be. Neither Creditor will by any act or delay, be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of either Creditor, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder will preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by either Creditor of any right or remedy hereunder on any one occasion will not be construed as a bar to any right or remedy which such Creditor would otherwise have on any future occasion.

6.6 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and will be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

6.7 Counterparts. This Agreement may be executed in any number of counterparts, all of which will be deemed to be an original and such counterparts taken together will constitute one agreement and any of the parties hereto may execute this Agreement by signing any such counterpart.

6.8 Further Assurances. The Creditors, the Borrower and the Guarantors agree to execute and deliver such further and other documents and perform and cause to be performed such further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part thereof, including all acts, deeds and agreements as may be necessary or desirable for the purpose of registering or filing notice of the terms of this Agreement.

6.9 Communication. Any communication required or permitted to be given under this Agreement will be in writing and will be effectively made and given if (a) delivered personally,

- 19 -

(b) sent by prepaid courier service or mail, or (c) sent prepaid by facsimile transmission or other similar means of electronic communication, in each case to the address or facsimile number of the relevant Creditor, the Borrower and each Guarantor set out on the signature pages to this Agreement. Any communication so given will be deemed to have been given and to have been received on the day of delivery if so delivered, or on the day of facsimile transmission or sending by other means of recorded electronic communication provided that such day is a Business Day and the communication is so delivered or sent prior to 4:30 p.m. (local time at the place of receipt). Otherwise, such communication will be deemed to have been given and to have been received on the following Business Day. Any communication sent by mail will be deemed to have been given and to have been received on the fifth Business Day following mailing, provided that no disruption of postal service is in effect. Either Creditor may from time to time change their respective addresses or facsimile numbers for notice by giving notice to the other in accordance with the provisions of this Section.

6.10 Successors and Assigns. This Agreement will enure to the benefit of, and be binding on, the parties hereto and their successors and permitted assigns; provided, however, that such assignment is subject to the prior written consent of the other Creditor and that having received the prior written consent of the other Creditor only (and not the Borrower or the Guarantor) neither Creditor will assign any of its right, title or interest in respect of any of the Obligations or the Security unless the assignee agrees in writing with the other Creditor to be bound by this Agreement. The Borrower and each Guarantor shall be bound and subject to any such assignment.

6.11 Entire Agreement. This Agreement contains the entire understanding of the parties with respect to the priority of the Obligations and the Security and supersedes any prior agreements, undertakings, declarations, representations and understandings, both written and verbal, in respect of the priority of the Obligations and the Security. There are no restrictions, agreements, promises, warranties, covenants or undertakings relating to the priority of the Obligations and the Security other than those set forth in this Agreement.

6.12 Adhesion Agreement. The Borrower agrees that each Guarantor arising after the date hereof shall immediately execute an adhesion agreement whereby it acknowledges and agrees to be bound by the terms of this Agreement as if an original party thereto. Each new Subordinate Lender and Senior Lender shall execute an adhesion agreement whereby it acknowledges and agrees to be bound by the terms of this Agreement as if an original party thereto. Such adhesion agreement shall be in form and substance acceptable to the Senior Agent and Subordinate Agent.

6.13 No Marshalling. The Subordinate Creditor hereby waives any right it may have to require the Senior Creditor to marshal in its favour.

6.14 Termination. This Agreement will terminate upon indefeasible payment in full of all Senior Obligations and Subordinate Obligations and cancellation or termination of the Senior Loan Documents and the Subordinate Loan Documents.

The parties have executed this Agreement as of the day and year first written above.

[signatures continued on next page]

S-1

Bank of Montreal
1 First Canadian Place
11th Floor
Toronto, ON M5X 1A1

Attention: Director
Fax No. (416) 360-7168

BANK OF MONTREAL, as Senior Agent

By: J MacDonalcd
Name: Jeannette M MacDonald
Title: Director

By: _____
Name:
Title:

Bank of Montreal
1 First Canadian Place
11th Floor
Toronto, ON M5X 1A1

Attention: Director
Fax No. (416) 360-7168

BANK OF MONTREAL, as Senior Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

HSBC Bank Canada
70 York Street
Toronto, Ontario M5J 1S9

Attention: Dino Fracassi, Assistant Vice
President
Fax No. (416) 868-3802

HSBC BANK CANADA, as Senior Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

[SIGNATURE PAGE TO THE INTERCREDITOR AGREEMENT]

S-1

Bank of Montreal
1 First Canadian Place
11th Floor
Toronto, ON M5X 1A1

Attention: Director
Fax No. (416) 360-7168

Bank of Montreal
1 First Canadian Place
11th Floor
Toronto, ON M5X 1A1

Attention: Director
Fax No. (416) 360-7168

HSBC Bank Canada
70 York Street
Toronto, Ontario M5J 1S9

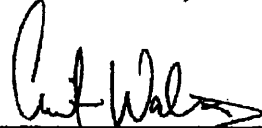
Attention: Dino Fracassi, Assistant Vice
President
Fax No. (416) 868-3802

BANK OF MONTREAL, as Senior Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

BANK OF MONTREAL, as Senior Lender

By: 
Name: **Amit Walia**
Title: **Director**

By: 
Name: **Kerry O'Neill**
Title: **Managing Director**

HSBC BANK CANADA, as Senior Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

[SIGNATURE PAGE TO THE INTERCREDITOR AGREEMENT]

S-1

Bank of Montreal
1 First Canadian Place
11th Floor
Toronto, ON M5X 1A1

Attention: Director
Fax No. (416) 360-7168

BANK OF MONTREAL, as Senior Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

Bank of Montreal
1 First Canadian Place
11th Floor
Toronto, ON M5X 1A1

Attention: Director
Fax No. (416) 360-7168

BANK OF MONTREAL, as Senior Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

HSBC Bank Canada
70 York Street
Toronto, Ontario M5J 1S9

Attention: Dino Fracassi, Assistant Vice
President
Fax No. (416) 868-3802

HSBC BANK CANADA, as Senior Lender

By: _____
Name: **Dino Fracassi**
Assistant Vice President
Commercial Banking
Title:

By: _____
Name: **JESSE MacMASTERS**
ASSISTANT VICE PRESIDENT
COMMERCIAL BANKING
Title:

[SIGNATURE PAGE TO THE INTERCREDITOR AGREEMENT]

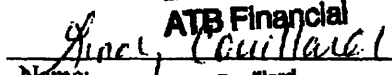
S-2

ATB Corporate Financial Services
600 – 444 7th Avenue SW
Calgary, Alberta T2P 0X8

Attention: Lindsey Ross, Director
Fax No. (403) 974 5191

ATB CORPORATE FINANCIAL SERVICES, as Senior Lender

By: 
Name: **Lindsey Ross**
Title: **Director**

By: 
Name: **Lindy Couillard**
Title: **Senior Associate Director
Commercial Group
ATB Corporate Financial Services**

The Manufacturers Life Insurance Company
200 Bloor Street East NT-4
Toronto, ON M4W 1E5

Attention: Vipon Ghai
Senior Managing Director
Fax No. 416-926-5737

THE MANUFACTURERS LIFE INSURANCE COMPANY, as Subordinate Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

The Manufacturers Life Insurance Company
200 Bloor Street East NT-4
Toronto, ON M4W 1E5

Attention: Vipon Ghai
Senior Managing Director
Fax No. 416-926-5737

THE MANUFACTURERS LIFE INSURANCE COMPANY, as Subordinate Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

[SIGNATURE PAGE TO THE INTERCREDITOR AGREEMENT]

S-2

ATB Corporate Financial Services
600 – 444 7th Avenue SW
Calgary, Alberta T2P 0X8

Attention: Lindsey Ross, Director
Fax No. (403) 974 5191

ATB CORPORATE FINANCIAL SERVICES, as Senior Lender

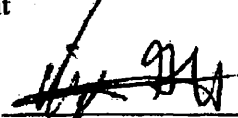
By: _____
Name:
Title:

By: _____
Name:
Title:

The Manufacturers Life Insurance Company
200 Bloor Street East NT-4
Toronto, ON M4W 1E5

Attention: Vipon Ghai
Senior Managing Director
Fax No. 416-926-5737

THE MANUFACTURERS LIFE INSURANCE COMPANY, as Subordinate Agent

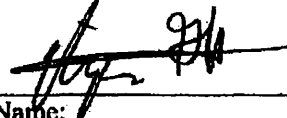
By: 
Name:
Title:

By: _____
Name:
Title:

The Manufacturers Life Insurance Company
200 Bloor Street East NT-4
Toronto, ON M4W 1E5

Attention: Vipon Ghai
Senior Managing Director
Fax No. 416-926-5737

THE MANUFACTURERS LIFE INSURANCE COMPANY, as Subordinate Lender

By: 
Name:
Title:

By: _____
Name:
Title:

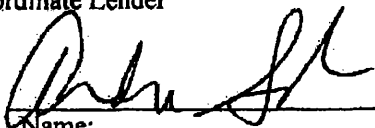
[SIGNATURE PAGE TO THE INTERCREDITOR AGREEMENT]

S-3

**Bank of Montreal d.b.a. BMO Capital
Partners**
1 First Canadian Place
11th Floor
Toronto, ON M5X 1A1

Attention: Director
Fax No. (416) 867-4108

**BANK OF MONTREAL d.b.a.
BMO CAPITAL PARTNERS, as
Subordinate Lender**

By: 
Name: _____
Title: **Andre Salvi**

By: 
Name: _____
Title: **Managing Director**
Aaron Toporowski
Director


[SIGNATURE PAGE TO THE INTERCREDITOR AGREEMENT]

S-4

PTCAN, Inc.
5343 Dundas Street West, Suite 400
Etobicoke, ON M9B 6K5

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

PTCAN, INC.


By: 

Name:
Title:

c/o York Special Opportunities Fund, L.P.
767 Fifth Avenue, 17th Floor
New York, New York, United States

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

1616057 ONTARIO LIMITED

By: 

Name:
Title:

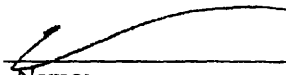
1616057 Ontario Limited
5343 Dundas Street West, Suite 400
Etobicoke, ON M9B 6K5

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

c/o York Special Opportunities Fund, L.P.
767 Fifth Avenue, 17th Floor
New York, New York, United States

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

GLOBILITY COMMUNICATIONS CORPORATION

By: 

Name:
Title:

Globility Communications Corporation
5343 Dundas Street West, Suite 400
Etobicoke, ON M9B 6K5

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

c/o York Special Opportunities Fund, L.P.
767 Fifth Avenue, 17th Floor
New York, New York, United States

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

[SIGNATURE PAGE TO THE INTERCREDITOR AGREEMENT]

S-5


Primus Telecommunications Canada Inc.
5343 Dundas Street West, Suite 400
Etobicoke, ON M9B 6K5

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

c/o York Special Opportunities Fund, L.P.
767 Fifth Avenue, 17th Floor
New York, New York, United States

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

**PRIMUS TELECOMMUNICATIONS
CANADA INC.**

By: 
Name: _____
Title:


Telesonic Communications Inc.
5343 Dundas Street West, Suite 400
Etobicoke, ON M9B 6K5

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

c/o York Special Opportunities Fund, L.P.
767 Fifth Avenue, 17th Floor
New York, New York, United States

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

TELESONIC COMMUNICATIONS INC.

By: 
Name: _____
Title:


PTUS, Inc.
5343 Dundas Street West, Suite 400
Etobicoke, ON M9B 6K5

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

c/o York Special Opportunities Fund, L.P.
767 Fifth Avenue, 17th Floor
New York, New York, United States

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

PTUS, INC.

By: 
Name: _____
Title:

[SIGNATURE PAGE TO THE INTERCREDITOR AGREEMENT] :

S-6

Lingo, Inc.


5343 Dundas Street West, Suite 400
Etobicoke, ON M9B 6K5

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

c/o York Special Opportunities Fund, L.P.
767 Fifth Avenue, 17th Floor
New York, New York, United States

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

LINGO, INC.

By: 
Name: _____
Title:

iPrimus USA, Inc.

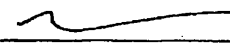
5343 Dundas Street West, Suite 400
Etobicoke, ON M9B 6K5

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

c/o York Special Opportunities Fund, L.P.
767 Fifth Avenue, 17th Floor
New York, New York, United States

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

IPRIMUS USA, INC.

By: 
Name: _____
Title:

PT Holdco, Inc.


5343 Dundas Street West, Suite 400
Etobicoke, ON M9B 6K5

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

c/o York Special Opportunities Fund, L.P.
767 Fifth Avenue, 17th Floor
New York, New York, United States

Attention: Chief Financial Officer
Facsimile: 1-877-329-5110

PT HOLDCO, INC.

By: 
Name: _____
Title:

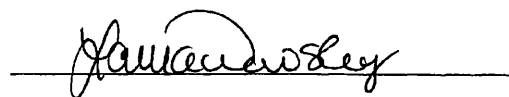
[SIGNATURE PAGE TO THE INTERCREDITOR AGREEMENT]

EXHIBIT "B"

referred to in the Affidavit of

MICHAEL NOWLAN

Sworn January 18, 2016

A handwritten signature in cursive script, appearing to read "Laura Elizabeth Dowsley", is written over a horizontal line.

Commissioner for Taking Affidavits

Laura Elizabeth Dowsley, a Commissioner, ~~etc.~~
Province of Ontario, while a Student-at-Law.
Expires April 1, 2017.

PT Holdco, Inc.
Consolidated Balance Sheet - unaudited
as at Nov 30, 2015

	PTCI	PTUS Consolidated	PT Holdco	Cons. Adj.	PT Holdco Cons. Nov 30, 2015	PT Holdco Cons. Dec 31, 2014
ASSETS						
CURRENT						
Cash and cash equivalents	2,596,202	236,591	64,001	-	2,896,794	5,495,161
Accounts receivable	9,832,294	1,497,311	-	-	11,329,605	11,708,867
Prepaid expenses	2,138,949	141,413	-	-	2,280,362	2,239,622
Investment in subsidiaries	-	-	56,534,499	(56,534,499)	(0)	(0)
Inventory, deposits and other receivables	1,267,453	382,087	-	-	1,649,540	1,886,350
	15,834,898	2,257,402	56,598,500	(56,534,499)	18,156,301	21,330,000
Capital assets and software	25,807,108	1,151,221	-	-	26,958,328	30,867,835
Goodwill and other intangibles	82,864,048	15,731,962	-	-	98,596,009	101,104,873
Restricted cash	295,000	-	-	-	295,000	370,000
Deposit held in escrow	-	-	-	-	-	-
Deferred charges	1,142,342	-	-	-	1,142,342	1,766,736
	125,943,396	19,140,584	56,598,500	(56,534,499)	145,147,981	155,439,444
LIABILITIES						
CURRENT						
Accounts payable	7,521,273	366,595	-	-	7,887,868	8,068,317
Accrued liabilities	6,071,076	1,412,179	-	-	7,483,255	6,078,737
Income taxes payable	-	(23,336)	-	-	(23,336)	(8,856)
Deferred revenue	5,788,759	308,796	-	-	6,097,555	6,625,461
Future income taxes	-	-	-	-	-	-
Other current liabilities	3,591,963	5,348,866	-	-	8,940,829	8,083,114
Current portion of long-term debt	11,500,000	-	-	-	11,500,000	11,500,000
	34,473,072	7,413,100	-	-	41,886,172	40,346,773
Future income taxes	5,869,254	1,045,540	-	-	6,914,794	6,777,612
Long-term debt	52,171,360	-	-	-	52,171,360	51,517,945
Due to related companies	(9,725,030)	10,472,324	(747,294)	-	(0)	(0)
	82,788,656	18,930,964	(747,294)	-	100,972,326	98,642,330
SHAREHOLDER'S EQUITY						
Capital stock	53,244,934	3,289,565	57,334,410	(56,534,499)	57,334,410	57,334,410
Retained earnings (deficit)	452,029	(1,336,306)	4,214	(1,007,577)	(1,899,641)	(912,664)
Net income (loss)	(10,542,223)	(2,314,650)	7,170	(1,314,000)	(14,163,704)	(976,976)
Cumulative translation adjustments	-	573,012	-	2,321,577	2,894,590	1,352,344
	43,154,740	209,621	57,345,793	(56,534,499)	44,175,655	56,797,113
	125,943,396	19,140,584	56,598,500	(56,534,499)	145,147,981	155,439,444

PT Holdco, Inc.
Consolidated Income Statement - unaudited
for the eleven months ending Nov 30, 2015

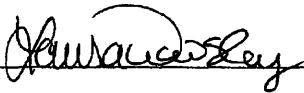
	PTCI	PTUS Consolidated	PT Holdco	Cons. Adj.	PT Holdco Consolidated
REVENUE	\$ 132,658,778	\$ 18,267,622	\$ -	\$ -	\$ 150,926,400
Cost of sales	74,742,391	9,451,906	-	-	84,194,296
GROSS MARGIN	57,916,387	8,815,716	-	-	66,732,104
SELLING, GENERAL AND ADMINISTRATIVE					
Salaries and benefits	28,861,738	3,128,221	-	-	31,989,959
Sales and marketing	7,656,670	919,697	-	-	8,576,367
Occupancy	3,707,459	457,322	-	-	4,164,781
Professional fees	3,309,613	1,507,368	-	-	4,816,981
Travel and entertainment	333,195	49,740	-	-	382,936
General and administrative	5,036,582	2,810,356	91	-	7,847,028
	48,905,257	8,872,704	91	-	57,778,052
EBITDA	9,011,130	(56,988)	(91)	-	8,954,052
Depreciation and amortization	13,552,398	869,846	-	-	14,422,244
EARNINGS BEFORE UNDERNOTED	(4,541,267)	(926,834)	(91)	-	(5,468,192)
Interest expense, net	6,842,971	1,821	19	-	6,844,811
Other expense, net	1,466,416	42,618	-	-	1,509,034
Foreign exchange loss (gain)	(1,009,216)	60	(8,397)	1,302,947	285,395
Inter-company charges, net	(1,318,731)	1,307,678	-	11,053	-
	5,981,440	1,352,178	(8,377)	1,314,000	8,639,240
EARNINGS BEFORE TAXES	(10,522,707)	(2,279,011)	8,287	(1,314,000)	(14,107,432)
Provision for (recovery of) income taxes:	19,516	35,639	1,117	-	56,272
NET INCOME (LOSS) FOR THE PERIOD	(10,542,223)	(2,314,650)	7,170	(1,314,000)	(14,163,704)
Retained earnings (deficit), beginning of period	452,029	(1,338,306)	(4,214)	-	(1,889,641)
Retained earnings (deficit), end of period	\$ (10,090,195)	\$ (3,652,956)	\$ 2,956	\$ (1,314,000)	\$ (16,053,345)

EXHIBIT "C"

referred to in the Affidavit of

MICHAEL NOWLAN

Sworn January 18, 2016



Commissioner for Taking Affidavits

Laura Elizabeth Dowsley, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires April 1, 2017.

PT Holdco, Inc.
Consolidated Balance Sheet - unaudited
 as at Nov 30, 2015

	PT Holdco Nov 30, 2015	PT Holdco Cons. Nov 30, 2015	PT Holdco Cons. Oct 31, 2015	PT Holdco Cons. Sep 30, 2015	PT Holdco Cons. Aug 31, 2015	PT Holdco Cons. Jul 31, 2015	PT Holdco Cons. Jun 30, 2015	PT Holdco Cons. May 31, 2015	PT Holdco Cons. Apr 30, 2015	PT Holdco Cons. Mar 31, 2015	PT Holdco Cons. Feb 28, 2015	PT Holdco Cons. Jan 31, 2015	PT Holdco Cons. Dec 31, 2014	PT Holdco Cons. Nov 30, 2014	PT Holdco Cons. Oct 31, 2014
ASSETS															
CURRENT															
Cash and cash equivalents	2,896,794	2,933,349	2,991,319	5,476,037	3,968,680	4,013,907	3,447,960	3,061,583	4,137,129	5,039,961	5,495,161	5,109,937	5,495,161	5,109,937	4,805,691
Accounts receivable	11,329,605	10,625,563	11,118,344	11,267,929	11,015,146	12,582,708	11,923,256	11,624,527	13,588,068	12,029,796	11,708,867	12,940,393	11,708,867	12,940,393	11,158,702
Prepaid expenses	2,280,362	2,062,911	2,196,408	2,176,226	2,530,920	2,169,146	2,212,589	1,941,471	2,098,613	2,377,996	2,239,622	2,538,294	2,239,622	2,538,294	2,759,042
Investment in subsidiaries	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Inventory, deposits and other receivables	1,649,540	1,718,373	1,877,636	1,839,461	1,832,665	1,919,110	2,097,428	2,214,255	1,915,205	2,099,891	2,044,782	1,866,350	1,866,350	1,866,350	2,049,469
	18,156,301	17,340,196	18,183,707	20,759,652	19,347,410	19,170,391	20,906,641	19,526,942	18,699,928	21,851,717	21,492,535	21,330,000	21,330,000	22,300,817	20,772,935
Capital assets and software	26,958,328	27,550,750	27,980,177	28,375,760	28,924,151	29,340,406	29,785,407	30,312,092	30,779,732	30,595,912	30,938,632	30,867,835	30,867,835	31,637,232	31,792,794
Goodwill and other intangibles	98,596,009	98,684,970	99,419,840	99,614,683	99,766,158	99,529,082	99,886,530	99,889,116	100,972,876	101,208,254	101,855,395	101,104,873	101,104,873	101,553,525	101,777,154
Restricted cash	295,000	295,000	295,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000
Deferred charges	1,142,342	1,198,327	1,254,611	1,310,690	1,368,582	1,424,993	1,480,517	1,537,235	1,594,730	1,652,803	1,710,889	1,766,736	1,766,736	1,895,184	1,939,632
	145,147,981	145,069,243	147,113,336	150,430,785	149,777,292	149,834,872	152,429,096	151,635,385	152,417,266	155,678,685	155,367,452	155,439,444	155,439,444	157,756,757	156,652,515
LIABILITIES															
CURRENT															
Accounts payable	7,887,868	7,318,406	9,311,269	12,014,200	10,759,596	11,114,397	11,546,236	10,657,566	9,662,475	8,332,491	8,915,921	8,068,317	8,068,317	8,708,117	7,737,035
Accrued liabilities	7,483,255	7,453,878	7,113,619	6,700,628	6,670,205	6,829,973	7,442,894	7,140,699	7,303,213	7,616,573	6,655,926	6,078,737	6,078,737	7,526,374	6,813,948
Income taxes payable	(23,336)	(22,850)	(23,322)	(22,993)	(22,859)	(21,828)	(9,494)	(9,210)	(9,669)	(9,545)	(9,704)	(8,856)	(8,856)	57,319	56,670
Deferred revenue	6,097,555	6,240,443	6,378,301	6,422,648	6,455,440	6,526,298	6,617,461	6,686,223	6,620,185	6,454,292	6,590,715	6,625,461	6,625,461	7,209,813	7,238,295
Other current liabilities	8,940,829	8,852,309	8,786,294	9,197,146	9,208,593	8,871,846	9,070,309	8,786,797	8,761,164	8,757,774	8,249,026	8,083,114	8,083,114	7,640,500	7,498,379
Current portion of long-term debt	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	9,000,000	9,000,000
	41,886,172	41,342,186	43,046,362	45,811,629	44,570,976	44,820,687	46,167,425	44,784,075	43,837,367	42,851,565	41,901,884	40,346,773	40,346,773	40,142,123	38,344,327
Future income taxes	6,914,794	6,893,027	6,914,168	6,899,447	6,564,364	6,564,364	6,564,364	6,564,364	6,564,364	6,564,364	6,564,364	6,564,364	6,564,364	6,564,364	6,564,364
Long-term debt	52,171,360	51,890,766	51,604,467	51,330,777	50,833,128	50,598,883	50,370,676	50,139,481	49,918,109	51,941,857	51,739,517	51,517,945	51,517,945	53,700,000	53,700,000
Due to related companies	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
	100,972,326	100,125,979	101,564,956	104,041,853	101,968,467	101,481,934	103,102,465	101,467,920	100,319,841	101,157,806	100,205,766	98,642,330	98,642,330	100,408,466	98,608,680
SHAREHOLDER'S EQUITY															
Capital stock	57,334,410	57,334,410	57,334,410	57,334,410	57,334,410	57,334,410	57,334,410	57,334,410	57,334,410	57,334,410	57,334,410	57,334,410	57,334,410	57,334,410	57,334,410
Retained earnings (deficit)	(1,889,641)	(1,889,641)	(1,889,641)	(1,889,641)	(1,742,696)	(1,742,696)	(1,742,696)	(1,742,696)	(1,742,696)	(1,742,696)	(1,742,696)	(1,742,696)	(1,742,696)	(1,742,696)	(912,664)
Net income (loss)	(14,163,704)	(13,178,471)	(12,784,604)	(11,790,666)	(10,460,830)	(9,309,625)	(8,406,272)	(7,242,937)	(5,848,531)	(3,276,642)	(1,828,650)	(976,976)	(976,976)	(269,111)	583,807
Cumulative translation adjustments	2,894,590	2,676,965	2,898,174	2,734,829	2,677,940	2,070,849	2,141,190	1,818,688	2,354,242	2,205,807	2,398,322	1,352,344	1,352,344	1,197,637	1,098,272
	44,175,655	44,943,264	45,548,339	46,388,932	47,808,824	48,562,938	49,326,631	50,167,465	52,097,425	54,520,879	56,161,686	56,797,113	56,797,113	57,350,272	58,043,825
	145,147,981	145,069,243	147,113,336	150,430,785	149,777,292	149,834,872	152,429,096	151,635,385	152,417,266	155,678,685	155,367,452	155,439,444	155,439,444	157,756,757	156,652,515

PT Holdco, Inc.
Consolidated Income Statement
 for the month ending Nov 30, 2015

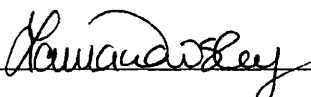
	Nov 2015	Oct 2015	Sep 2015	Aug 2015	Jul 2015	Jun 2015	May 2015	Apr 2015	Mar 2015	Feb 2015	Jan 2015	Dec 2014	Nov 2014	Oct 2014
	PT Holdco Cons.	PT Holdco Cons.	PT Holdco Cons.	PT Holdco Cons.	PT Holdco Cons.	PT Holdco Cons.	PT Holdco Cons.	PT Holdco Cons.	PT Holdco Cons.	PT Holdco Cons.	PT Holdco Cons.	PT Holdco Cons.	PT Holdco Cons.	PT Holdco Cons.
REVENUE	\$ 13,085,190	\$ 13,504,922	\$ 13,420,747	\$ 13,451,990	\$ 13,673,639	\$ 13,741,057	\$ 13,934,268	\$ 13,953,109	\$ 14,079,719	\$ 13,929,999	\$ 14,235,760	\$ 14,402,437	\$ 14,170,850	\$ 14,616,306
Cost of sales	7,486,241	7,484,639	7,620,659	7,475,835	7,567,581	7,564,968	7,468,765	7,808,062	7,921,988	7,911,876	7,983,480	7,838,172	7,842,896	8,051,517
GROSS MARGIN	5,598,949	6,020,283	5,900,089	5,976,155	6,112,058	6,176,088	6,465,502	6,055,047	6,157,730	6,018,123	6,252,280	6,564,265	6,327,954	6,564,789
SELLING, GENERAL AND ADMINISTRATIVE														
Salaries and benefits	2,574,003	2,669,125	2,680,167	2,762,341	2,892,593	2,820,454	3,170,571	3,062,803	3,176,378	2,983,270	3,198,254	2,684,630	2,744,887	2,789,962
Sales and marketing	596,674	697,559	682,135	723,336	634,049	584,080	699,856	868,726	1,059,777	970,969	1,059,208	867,509	1,058,405	917,786
Occupancy	372,699	400,044	378,141	378,319	377,811	365,298	376,243	371,268	364,263	379,357	401,339	380,515	364,651	360,358
Professional fees	360,042	374,253	379,601	367,855	383,568	403,621	395,282	439,952	589,552	522,988	600,367	939,934	586,193	667,259
Travel and entertainment	54,005	28,899	36,856	24,724	35,933	28,488	36,792	37,191	34,776	25,232	39,040	79,303	55,609	47,038
General and administrative	589,503	708,261	706,850	703,335	736,274	707,684	748,273	675,947	781,716	679,703	809,482	434,687	642,012	642,876
	4,546,926	4,876,141	4,863,650	4,959,910	5,060,227	4,910,625	5,427,016	5,435,887	6,006,463	5,561,519	6,107,688	5,366,579	5,451,758	5,425,279
EBITDA	1,052,023	1,141,942	1,036,439	1,016,245	1,051,831	1,265,463	1,038,486	599,160	151,267	456,604	144,592	1,197,686	876,196	1,139,510
Depreciation and amortization	1,269,126	1,289,741	1,296,366	1,296,061	1,295,460	1,299,061	1,313,025	1,365,214	1,344,761	1,329,638	1,323,792	1,325,063	1,294,793	1,349,591
EARNINGS BEFORE UNDERNOTED	(217,103)	(147,799)	(259,927)	(279,816)	(243,629)	(33,598)	(766,054)	(1,193,499)	(1,193,499)	(873,034)	(1,179,200)	(127,377)	(418,597)	(210,060)
Interest expense (income), net	639,636	634,002	626,342	887,580	653,310	594,257	560,227	478,913	576,822	417,540	776,182	500,193	480,116	508,711
Other expense (income), net	119,654	(413,663)	113,827	146,895	50,393	88,568	314,360	109,998	840,990	123,606	8,467	14,393	8,634	16,836
Foreign exchange loss (gain)	8,679	25,255	(7,604)	13,871	182,103	167,860	6,195	36,862	(39,981)	27,633	(135,499)	(34,489)	(34,498)	7,476
Inter-company charges, net	767,969	245,594	732,564	1,048,347	885,807	850,685	880,782	625,733	1,377,830	574,779	649,150	480,096	434,252	533,123
EARNINGS BEFORE TAXES	(985,072)	(383,393)	(992,491)	(1,328,163)	(1,129,436)	(884,283)	(1,155,320)	(1,391,787)	(2,571,324)	(1,447,813)	(1,828,350)	(607,473)	(852,846)	(743,204)
Provision for (recovery of) income taxes:	161	475	1,446	1,674	21,769	19,070	8,015	2,619	565	479	100,392	70	70	800
NET INCOME (LOSS) FOR THE PERIOD	(985,233)	(383,867)	(993,937)	(1,329,837)	(1,151,205)	(903,353)	(1,163,335)	(1,394,406)	(2,571,889)	(1,448,292)	(1,828,350)	(707,865)	(852,918)	(744,004)

EXHIBIT "D"

referred to in the Affidavit of

MICHAEL NOWLAN

Sworn January 18, 2016



Commissioner for Taking Affidavits

Laura Elizabeth Dowsley, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires April 1, 2017.

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT (this "**Agreement**") is made as of February 4, 2015.

BETWEEN:

BANK OF MONTREAL, as administrative agent for and on behalf of the Lenders (as hereafter defined)

(the "**Agent**")

- and -

Each Lender Party to the Credit Agreement (as defined below)

(the "**Lenders**")

- and -

PRIMUS TELECOMMUNICATIONS CANADA INC.

(the "**Borrower**")

RECITALS:

WHEREAS the Borrower, the Agent and the Lenders are parties to a credit agreement dated as of July 31, 2013 (including an amending agreement dated as of September 23, 2014 and any other amendments to the date hereof; the "**Credit Agreement**");

AND WHEREAS the Borrower has advised the Agent and the Lenders that its Compliance Certificate to be delivered for the Fiscal Quarter ended December 31, 2014 will confirm that it is not in compliance with its Total Debt to EBITDA Ratio, its Senior Debt to EBITDA Ratio and its Fixed Charge Coverage Ratio;

AND WHEREAS the Borrower has advised that it has not made the interest payment due to the Subordinate Lenders on January 31, 2015 as required pursuant to the Subordinate Credit Agreement;

AND WHEREAS notwithstanding the Existing Defaults, the Borrower has requested that the Agent and the Lenders forbear from exercising any rights and remedies available to them in respect of such Existing Defaults to provide the Borrower with an opportunity for a specified period of time to address such Existing Defaults;

- 2 -

AND WHEREAS as an inducement to the Agent and the Lenders to obtain their agreement to accommodate the Borrower in the manner requested, the Borrower has agreed to the terms and conditions set out herein;

AND WHEREAS the Agent and the Lenders are prepared to forbear from exercising their rights and remedies in respect of such Existing Defaults, subject to the terms and conditions herein contained;

NOW THEREFORE, in consideration of the premises and the covenants and agreements herein contained, the parties agree as follows:

1. Definitions

(a) In this Agreement, unless something in the subject matter or context is inconsistent therewith:

"**Agreement**" means this agreement, including its recitals and attachments, as amended from time to time.

"**Existing Defaults**" means the events of default listed in Schedule A hereto.

"**Forbearance Period**" means the period commencing on the date of this Agreement and terminating on the Forbearance Termination Date.

"**Forbearance Termination Date**" means the date that is the earlier of (i) the occurrence of a Triggering Event that is declared by the Agent to have terminated the Forbearance Period pursuant to Section 8 hereof; and (ii) February 27, 2015 or such later date as the Majority Lenders agree to in writing, in their sole discretion.

"**Triggering Event**" is defined in Section 8.

(b) Terms used in this Agreement (including the recitals hereto) that are defined in the Credit Agreement and are not otherwise defined herein have the same meanings herein as in the Credit Agreement. The term "Loan Documents" includes this Agreement. The term "including" means "including without limitation".

2. Borrower Acknowledgements

The Borrower specifically acknowledges and agrees in favour of the Agent and the Lenders that:

(a) as a result of the Existing Defaults, the Borrower is in default under the Credit Agreement and the Agent and the Lenders are now (and following the expiration of the Forbearance Period will be) in a position to exercise their rights and remedies pursuant to the Loan Documents, including the right to terminate the Commitments and to accelerate and demand payment of the Obligations;

- 3 -

- (b) the Agent and the Lenders have not yet enforced the Security held by them under the Loan Documents (and the Borrower acknowledges that the making of this Agreement by the Agent and the Lenders is not an enforcement of the Security), but the Agent and the Lenders have reserved all of their rights to take such steps as they deem advisable, including demanding payment of the Obligations upon the termination or expiry of the Forbearance Period and thereafter enforcing any and all remedies available to them hereunder, under the Security and other Loan Documents, at law and in equity;
- (c) the Lenders have no commitment or other obligation to extend further credit to the Borrower under Tranche A-1;
- (d) the Swingline Lender has no commitment or other obligation to extend further credit to the Borrower under Tranche A-2;
- (e) time continues to be of the essence in performance of the obligations set out in the Loan Documents;
- (f) each of the Existing Defaults has occurred and is continuing, has not been waived by the Agent or the Lenders, and the Agent and the Lenders have expressly reserved all of their rights and remedies under the Loan Documents and under applicable laws with respect to the Existing Defaults;
- (g) the occurrence and continuance of any Event of Default (other than the Existing Defaults) under the Credit Agreement shall constitute a Triggering Event hereunder; and
- (h) it will not assert any claim, counterclaim or other cause of action whatsoever against the Agent or any of the Lenders arising from or based on matters existing or occurring prior to the date hereof with respect to or in connection with the Obligations or the Loan Documents.

3. **Representation and Warranties**

The Borrower represents and warrants to the Agent and the Lenders that:

- (a) the execution, delivery and performance of this Agreement has been duly authorized by all actions, if any, required on its part and by its shareholders and directors;
- (b) other than any representation specific to there existing no Default or Event of Default which shall be qualified solely by the existence of the Existing Defaults, no representation or warranty of any Company contained in the Credit Agreement or any of the other Loan Documents, including this Agreement, is untrue or incorrect as of the date hereof;

- 4 -

- (c) there is no matter, fact or event which is known to the Borrower which has not been disclosed to the Agent which is likely to have a material adverse effect on the performance of the Borrower's obligations under the Credit Agreement;
- (d) the Existing Defaults are the only Defaults and Events of Default that have occurred and are continuing, and no other Default or Event of Default exists; and
- (e) it (i) understands fully the terms of this Agreement and the consequences of the execution and delivery of this Agreement, (ii) has been afforded an opportunity to have this Agreement reviewed by, and to discuss this Agreement and the documents executed in connection herewith, with such attorneys and other persons and advisors as the Borrower may wish, and (iii) has entered into this Agreement and executed and delivered all documents in connection herewith of its own free will and accord and without threat, duress or other coercion of any kind by any Person.

4. **Forbearance Milestones**

The Borrower covenants and agrees with the Agent and the Lenders that it will deliver to the Agent each of the following in accordance with the timing set forth below (each a "Forbearance Milestone" and collectively the "Forbearance Milestones"):

- (a) by 5:00 pm (Toronto time) February 17, 2015, a revised Annual Business Plan for Fiscal Year 2015 which shall include, *inter alia*, monthly forecasts until no less than July 31, 2017, an income statement, balance sheet and cash flow statement, details of profitability of each line of business and a written summary outlining assumptions;
- (b) by no later than 5:00 pm (Toronto time) February 17, 2015, the Compliance Certificate and financial statements for the Fiscal Quarter ended December 31, 2014, which shall include a written commentary on material differences between actual, prior year and what was forecasted;
- (c) by no later than 9:00 am (Toronto time) February 23, 2015, unaudited financial statements of the Borrower for the month of January 2015;
- (d) by no later than 5:00 pm (Toronto time) February 20, 2015, a breakdown of sales by line of business for the month of January 2015, in form satisfactory to the Agent; and
- (e) such other items required to be delivered pursuant to the Credit Agreement when due.

- 5 -

5. Financial and Other Matters

(a) Notwithstanding anything contained in the Credit Agreement to the contrary, the Borrower (i) shall not and shall ensure that each Company shall not, following the date hereof, provide any Financial Assistance to any Person which is not a Company; and (ii) shall not make any Distributions (including, for certainty, the payment of any management fees or director's fees).

(b) The Borrower shall not be entitled to obtain Advances pursuant to Tranche A-1 without first obtaining the prior written consent of all Lenders. Notwithstanding the foregoing, Advances for the purpose of repayment of Advances as contemplated by Section 2.10(f) shall be permitted.

(c) Subject to the right of the Swingline Lender in its sole discretion to prohibit further Advances and notwithstanding anything contained in the Credit Agreement to the contrary, the Borrower shall be permitted to obtain Advances pursuant to Tranche A-2 in an aggregate amount not to exceed \$1,000,000.

(d) The Borrower acknowledges and agrees that the Agent is entitled as of the date hereof as a consequence of the Existing Defaults to charge an additional 2% interest in accordance with Section 9.02 of the Credit Agreement and, upon written notice being provided to the Borrower, such increase shall become effective.

6. Forbearance

The Agent and the Lenders agree that, until the expiry or termination of the Forbearance Period, they will forbear from exercising their rights and remedies under the Loan Documents including their right as against the Companies to accelerate and demand payment of the Obligations as a result of the Existing Defaults. Upon the expiry or termination of the Forbearance Period, the foregoing agreement to forbear will automatically be terminated. For greater certainty, notwithstanding the foregoing agreement to forbear (a) the Existing Defaults will continue to operate as Events of Default for all other purposes of the Credit Agreement, (b) the Agent and the Lenders reserve all of their rights and remedies with respect to any other Default or Event of Default now or at any time hereafter existing, and (c) the Agent and the Lenders have not waived the Existing Defaults, but have reserved their right to accelerate and demand payment of the Obligations as a result of the Existing Defaults upon the termination or expiry of the Forbearance Period. Except as expressly provided herein, the execution and delivery of this Agreement shall not: (i) constitute an extension, modification, or waiver of any term or aspect of the Credit Agreement or the other Loan Documents; (ii) extend the terms of the Credit Agreement or the due date of any of the Obligations; (iii) give rise to any obligation on the part of the Agent or the Lenders to extend, modify or waive any term or condition of the Credit Agreement or any of the other Loan Documents; or (iv) give rise to any defences or counterclaims to the right of the Agent or the Lenders to compel payment of the Obligations or to otherwise enforce their rights and remedies under the Credit Agreement and the other Loan Documents. Except as expressly limited herein, the Agent and the Lenders hereby expressly

- 6 -

reserve all of their rights and remedies under the Loan Documents and under applicable law with respect to the Existing Defaults.

7. **Conditions Precedent to Effectiveness of Agreement**

This Agreement will not be effective as against the Agent and the Lenders unless and until each of the following conditions has been satisfied in the Agent's sole and absolute discretion:

- (a) the Agent has received counterparts of this Agreement fully executed by the Borrower;
- (b) the Agent shall have received an acknowledgement and confirmation from the Guarantors as to the terms contained herein;
- (c) there exists no Default or Event of Default other than the Existing Defaults; and
- (d) the Agent shall have received a copy of the forbearance agreement from the Subordinate Lenders to the Borrower, which agreement shall be in form and substance satisfactory to the Agent (the "**Subordinate Forbearance Agreement**").

8. **Triggering Events**

In addition to any other rights or remedies of the Agent and the Lenders pursuant hereto and pursuant to the other Loan Documents, if any one or more of the following events has occurred (each, a "**Triggering Event**"), the Agent may, and upon the instructions of the Majority Lenders the Agent will, declare by written notice to the Borrower that the Forbearance Period has terminated, such termination to be effective as of the time specified in such notice:

- (a) the Borrower defaults in the payment of any amount due and payable to the Agent or the Lenders pursuant to this Agreement or any other Loan Document;
- (b) any of the representations or warranties made or deemed to have been made by a Company in this Agreement proves to be incorrect as of the date given;
- (c) any Company after the date hereof fails or neglects to observe or perform any term, covenant, condition or obligation contained or referred to in this Agreement, including without limitation Section 5 hereof;
- (d) an "Event of Default" occurs under the Subordinate Credit Agreement other than these events of default existing as at the date hereof and identified in the Subordinate Forbearance Agreement;
- (e) an "Event of Default" occurs under the Credit Agreement, other than, for greater certainty, the Existing Defaults; and

- 7 -

- (f) the Borrower fails to deliver to the Agent any of the Forbearance Milestones set out in Section 4 as at such date required to be delivered.

9. Remedies

Upon the termination or expiry of the Forbearance Period, the Borrower covenants and agrees with the Agent and the Lenders that the Agent, upon instruction of the Required Lenders, may, in addition to any of the other remedies available to it under the Credit Agreement, declare any or all of the Obligations not already due and payable to be due and payable immediately and may demand payment of all such Obligations.

10. Agent's and Lenders' Fees and Expenses

The Borrower will pay on demand all reasonable third party costs, expenses and fees incurred by the Agent and the Lenders in connection with this Agreement or any other Loan Document, including all legal fees and expenses of Lenders' counsel in connection with this Agreement.

11. Subordinate Forbearance Agreement

The Borrower covenants that it will not amend the Subordinate Forbearance Agreement unless the Agent has provided its prior consent. The Borrower covenants that it will not make any cash payment (whether principal, interest, fees or otherwise) to the Subordinate Lenders during the Forbearance Period. Notwithstanding the foregoing, the Borrower shall be permitted to make payments to the Subordinate Lenders as provided for in and subject to Section 3.3(b) of the Intercreditor Agreement.

12. Permanent Reduction of Tranche A-1 and Tranche A-2 Commitments

The Borrower hereby acknowledges and agrees that effective as of the date of this Agreement, Facility A shall be reduced from \$10,000,000 to \$5,000,000, the Tranche A-1 Limit shall be reduced to \$4,000,000 and the Swingline Limit shall be reduced to \$1,000,000. The Credit Agreement shall be deemed to be amended without the need of any further action or documentation to reflect such reduction in Commitments. Attached to this Agreement as Exhibit A is the revised Exhibit A to the Credit Agreement which shall be deemed to replace Exhibit A to the Credit Agreement without the need of any further action or documentation.

13. Communications Among Lenders

The Borrower hereby acknowledges and consents to communications from time to time between the Senior Creditors and Subordinate Creditors and the sharing of information as determined advisable by each such Creditor in its discretion.

- 8 -

14. Acknowledgement

The Borrower acknowledges and confirms that, subject to Section 6, the Credit Agreement and the Security: (i) have not been released, discharged, waived or varied; (ii) are binding upon the Borrower; (iii) remain in full force and effect unamended; and (iv) are valid and enforceable against the Borrower in accordance with their written terms. The Borrower further acknowledges that the Security shall continue to secure the Obligations.

15. Further Assurances

For certainty, nothing contained herein shall be construed as a consent or waiver of any of the provisions of the Credit Agreement beyond that expressly stipulated in Section 6 hereof.

16. Release

The Borrower hereby releases and forever discharges the Agent, the Lenders and their respective employees, officers, directors, agents and advisors and their respective employees, officers, directors, agents and advisors and their representatives and successors from any and all claims, demands, suits, actions of whatsoever nature or kind which the Borrower has at today's date or arising from the execution and delivery of this Agreement.

17. Indemnity

The Borrower hereby agrees to indemnify and hold harmless the Agent and the Lenders and their respective officers, directors, employees, agents, attorneys in fact and affiliates (each, an "Indemnitee") from and against any and all claims and losses of any kind or nature whatsoever (but excluding consequential damages and damages for loss of profit) to which any Indemnitee becomes subject arising out of or relating to this Agreement, and to reimburse each such Indemnitee upon demand for any loss for legal or other expenses incurred by or on behalf of such Indemnitee in connection with defending any claim; provided that the foregoing indemnity will not as to any Indemnitee apply to any loss or claim or related expenses that a final non-appealable judgment of a court of competent jurisdiction has determined resulted from the gross negligence or wilful misconduct of such Indemnitee.

18. Amendments and Waivers

(a) Subject to Section 18(b), any term, covenant or condition of this Agreement may only be amended by agreement between the Borrower and the Agent, and compliance therewith by the Borrower may only be waived (either generally or in a particular instance and either retroactively or prospectively) by the Agent.

(b) No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and, unless otherwise provided, will be limited to the specific breach waived.

- 9 -

19. **General**

(a) This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

(b) Time is of the essence of this Agreement.

(c) For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have jurisdiction to entertain any action arising under this Agreement. The parties each hereby attorn to the jurisdiction of the courts of the Province of Ontario.

(d) No failure on the part of the Agent or the Lenders to exercise, and no delay in exercising, any right hereunder will operate as a waiver thereof. The rights and remedies of the parties hereunder are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or in equity or otherwise. No single or partial exercise by a party of any right or remedy precludes or otherwise affects the exercise of any other right or remedy to which that party may be entitled.

(e) The Borrower will, from time to time at its expense, execute and deliver all such further documents and instruments and do all acts and things as the Agent may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement and the full intent and meaning of the Security.

(f) This Agreement may be executed in any number of counterparts (whether by facsimile, pdf or original), each of which, will be deemed to be an original and all of which, when taken together, will be deemed to constitute one and the same instrument.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Agreement.

**PRIMUS TELECOMMUNICATIONS
CANADA INC., as Borrower**

by _____

Name:

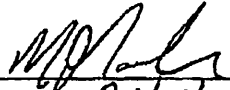
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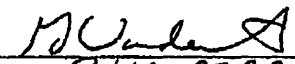
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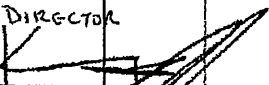
IN WITNESS WHEREOF, the parties have executed this Agreement.

PRIMUS TELECOMMUNICATIONS
CANADA INC., as Borrower

by 
Name: *M Nowlan*
Title: *CEO*


Name: *G. VANDERLOOT*
Title: *VP Finance*

BANK OF MONTREAL, as Lender

by 
Name: GRACE LAM
Title: DIRECTOR

Name: Kerry O'Neill
Title: Managing Director

HSBC BANK CANADA, as Lender

by
Name:
Title:

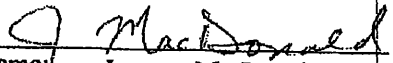
Name:
Title:

**ALBERTA TREASURY BRANCHES,
as Lender**

by
Name:
Title:

Name:
Title:

BANK OF MONTREAL, as Agent

by 
Name: Jeanette MacDonald
Title: Director


Name:
Title:

BANK OF MONTREAL, as Lender

by _____
Name:
Title:

Name:
Title:

HSBC BANK, CANADA, as Lender

by  _____
Name: **Dino Fracassi**
Title: **Assistant Vice President
Commercial Banking**

Name: **Amr Guendia**
Title: **Director-Private Equity Sponsor Coverage
#58723**

**ALBERTA TREASURY BRANCHES,
as Lender**

by _____
Name:
Title:

Name:
Title:

BANK OF MONTREAL, as Lender

by _____
Name:
Title:

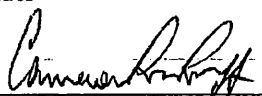
Name:
Title:

HSBC BANK CANADA, as Lender

by _____
Name:
Title:

Name:
Title:

**ALBERTA TREASURY BRANCHES,
as Lender**

by 
Name: CAMERON R.W. RUFF
Title: SENIOR DIRECTOR


Name:
Title: Cui Zukowski
ASSOCIATE DIRECTOR, COMMERCIAL

SCHEDULE A

EXISTING DEFAULTS

1. Section 9.01(f) of the Credit Agreement due to the failure by the Borrower to pay interest on the Subordinated Debt when due on January 31, 2015.
2. Failure to comply with Section 6.03(a)(i) of the Credit Agreement, being the Total Debt to EBITDA Ratio.
3. Failure to comply with Section 6.03(a)(ii) of the Credit Agreement, being the Senior Debt to EBITDA Ratio.
4. Failure to comply with Section 6.03(a)(iii) of the Credit Agreement, being the Fixed Charge Coverage Ratio.

EXHIBIT A**LENDERS AND LENDERS' COMMITMENTS**

Lender	Facility A Commitments	Facility B Commitments	Total
Bank of Montreal	\$2,000,000 (including \$1,000,000 Swingline*)	\$16,180,000	\$18,180,000
HSBC Bank Canada	\$1,500,000	\$12,135,000	\$13,635,000
Alberta Treasury Branches	\$1,500,000	\$12,135,000	\$13,635,000
Total	\$5,000,000	\$40,450,000	\$45,450,000

*Swingline provided by BMO as Swingline Lender.

Address for each Lender:

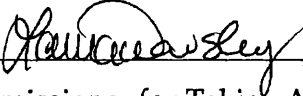
Bank of Montreal Corporate Finance 11th Floor, First Canadian Place Toronto, Ontario M5X 1A1 Attention: Director Facsimile: (416) 360-7168	HSBC Bank Canada 70 York Street Toronto, Ontario M5J 1S9 Attention: Assistant Vice President Facsimile: (416) 868-3802
Alberta Treasury Branches 600 – 444 7th Avenue SW Calgary, Alberta T2P 0X8 Attention: Director Facsimile: (403) 974-5191	

EXHIBIT "E"

referred to in the Affidavit of

MICHAEL NOWLAN

Sworn January 18, 2016



Commissioner for Taking Affidavits

Laura Elizabeth Dowsley, a Commissioner, *etc.*,
Province of Ontario, while a Student-at-Law.
Expires April 1, 2017. J

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT (this "**Agreement**") is made as of February 4, 2015.

BETWEEN:

**THE MANUFACTURERS LIFE INSURANCE
COMPANY, as Collateral Agent**

(the "**Agent**")

- and -

**Each Lender Party to the Credit Agreement
(as defined below)**

(the "**Lenders**")

- and -

**PRIMUS TELECOMMUNICATIONS
CANADA INC.**

(the "**Borrower**")

RECITALS:

WHEREAS the Borrower, the Agent and the Lenders are parties to a subordinate credit agreement dated as of July 31, 2013 (including an amending agreement dated as of September 23, 2014 and any other amendments to the date hereof, the "**Credit Agreement**");

AND WHEREAS the Borrower has advised the Agent and the Lenders that its Compliance Certificate to be delivered for the Fiscal Quarter ended December 31, 2014 will confirm that it is not in compliance with its Total Funded Debt to EBITDA Ratio, its Senior Funded Debt to EBITDA Ratio and its Fixed Charge Coverage Ratio;

AND WHEREAS the Borrower has not made the interest payment due to the Lenders on January 31, 2015 as required pursuant to the Subordinate Credit Agreement;

AND WHEREAS the Agent has issued a Standstill Notice (as defined in the Intercreditor Agreement) to the Senior Agent and Senior Lenders with respect to the Existing Defaults (as hereinafter defined);

AND WHEREAS notwithstanding the Existing Defaults, the Borrower has requested that the Agent and the Lenders forbear from exercising any rights and remedies available to them in respect of such Existing Defaults to provide the Borrower with an opportunity for a specified period of time to address such Existing Defaults;

- 2 -

AND WHEREAS as an inducement to the Agent and the Lenders to obtain their agreement to accommodate the Borrower in the manner requested, the Borrower has agreed to the terms and conditions set out herein;

AND WHEREAS the Agent and the Lenders are prepared to forbear from exercising their rights and remedies in respect of such Existing Defaults, subject to the terms and conditions herein contained;

NOW THEREFORE, in consideration of the premises and the covenants and agreements herein contained, the parties agree as follows:

1. **Definitions**

(a) In this Agreement, unless something in the subject matter or context is inconsistent therewith:

"**Agreement**" means this agreement, including its recitals and attachments, as amended from time to time.

"**Existing Defaults**" means the events of default listed in Schedule A hereto.

"**Forbearance Period**" means the period commencing on the date of this Agreement and terminating on the Forbearance Termination Date.

"**Forbearance Termination Date**" means the date that is the earlier of (i) the occurrence of a Triggering Event that is declared by the Agent to have terminated the Forbearance Period pursuant to Section 8 hereof; and (ii) March 2, 2015 or such later date as the Majority Lenders agree to in writing, in their sole discretion.

"**Triggering Event**" is defined in Section 8.

(b) Terms used in this Agreement (including the recitals hereto) that are defined in the Credit Agreement and are not otherwise defined herein have the same meanings herein as in the Credit Agreement. The term "Loan Documents" includes this Agreement. The term "including" means "including without limitation".

2. **Borrower Acknowledgements**

The Borrower specifically acknowledges and agrees in favour of the Agent and the Lenders that:

(a) as a result of the Existing Defaults, the Borrower is in default under the Credit Agreement and, subject to the provisions of the Intercreditor Agreement, the Agent and the Lenders are now (and following the expiration of the Forbearance Period will be) in a position to exercise their rights and remedies pursuant to the

- 3 -

Loan Documents, including the right to accelerate and demand payment of the Obligations;

- (b) the Agent and the Lenders have not yet enforced the Security held by them under the Loan Documents (and the Borrower acknowledges that the making of this Agreement by the Agent and the Lenders is not an enforcement of the Security), but, subject to the provisions of the Intercreditor Agreement, the Agent and the Lenders have reserved all of their rights to take such steps as they deem advisable, including demanding payment of the Obligations upon the termination or expiry of the Forbearance Period and thereafter enforcing any and all remedies available to them hereunder, under the Security and other Loan Documents, at law and in equity;
- (c) the Senior Lenders have no commitment or other obligation to extend further credit to the Borrower under Tranche A-1 under the Senior Credit Agreement;
- (d) the Swingline Lender under the Senior Credit Agreement has no commitment or other obligation to extend further credit to the Borrower under Tranche A-2;
- (e) the Senior Lenders and the Swingline Lender under the Senior Credit Agreement have permanently reduced Facility A from \$10,000,000 to \$5,000,000, the Tranche A-1 Limit to \$4,000,000 and the Swingline Limit to \$1,000,000.
- (f) time continues to be of the essence in performance of the obligations set out in the Loan Documents;
- (g) the Standstill Period (as defined under the Intercreditor Agreement) has commenced and is not extended by the Forbearance Period;
- (h) each of the Existing Defaults has occurred and is continuing, has not been waived by the Agent or the Lenders, and the Agent and the Lenders have expressly reserved all of their rights and remedies under the Loan Documents and under applicable laws with respect to the Existing Defaults;
- (i) the occurrence and continuance of any Event of Default (other than the Existing Defaults) under the Credit Agreement shall constitute a Triggering Event hereunder; and
- (j) it will not assert any claim, counterclaim or other cause of action whatsoever against the Agent or any of the Lenders arising from or based on matters existing or occurring prior to the date hereof with respect to or in connection with the Obligations or the Loan Documents.

3. **Representation and Warranties**

The Borrower represents and warrants to the Agent and the Lenders that:

- 4 -

- (a) the execution, delivery and performance of this Agreement has been duly authorized by all actions, if any, required on its part and by its shareholders and directors;
- (b) other than any representation specific to there existing no Default or Event of Default which shall be qualified solely by the existence of the Existing Defaults, no representation or warranty of any Company contained in the Credit Agreement or any of the other Loan Documents, including this Agreement, is untrue or incorrect as of the date hereof;
- (c) there is no matter, fact or event which is known to the Borrower which has not been disclosed to the Agent which is likely to have a material adverse effect on the performance of the Borrower's obligations under the Credit Agreement;
- (d) the Existing Defaults are the only Defaults and Events of Default that have occurred and are continuing, and no other Default or Event of Default exists; and
- (e) it (i) understands fully the terms of this Agreement and the consequences of the execution and delivery of this Agreement, (ii) has been afforded an opportunity to have this Agreement reviewed by, and to discuss this Agreement and the documents executed in connection herewith, with such attorneys and other persons and advisors as the Borrower may wish, and (iii) has entered into this Agreement and executed and delivered all documents in connection herewith of its own free will and accord and without threat, duress or other coercion of any kind by any Person.

4. Forbearance Milestones

The Borrower covenants and agrees with the Agent and the Lenders that it will deliver to the Agent each of the following in accordance with the timing set forth below (each a "**Forbearance Milestone**" and collectively the "**Forbearance Milestones**"):

- (a) by 5:00 pm (Toronto time) February 18, 2015, a revised Annual Business Plan for Fiscal Year 2015 which shall include, *inter alia*, monthly forecasts until no less than July 31, 2017, an income statement, balance sheet and cash flow statement, details of profitability of each line of business and a written summary outlining assumptions;
- (b) by no later than 5:00 pm (Toronto time) February 18, 2015, the Compliance Certificate and financial statements for the Fiscal Quarter ended December 31, 2014, which shall include a written commentary on material differences between actual, prior year and what was forecasted;
- (c) by no later than 9:00 am (Toronto time) February 24, 2015, unaudited financial statements of the Borrower for the month of January 2015;

- 5 -

- (d) by no later than 5:00 pm (Toronto time) February 23, 2015, a breakdown of sales by line of business for the month of January 2015, in form satisfactory to the Agent; and
- (e) such other items required to be delivered pursuant to the Credit Agreement when due.

5. Financial and Other Matters

(a) Notwithstanding anything contained in the Credit Agreement to the contrary, the Borrower (i) shall not and shall ensure that each Company shall not, following the date hereof, provide any Financial Assistance to any Person which is not a Company; and (ii) shall not make any Distributions (including, for certainty, the payment of any management fees or director's fees).

(b) The Borrower acknowledges and agrees that the Agent is entitled as of the date hereof as a consequence of the Existing Defaults to charge an additional 2% interest in accordance with Section 9.02 of the Credit Agreement and, upon written notice being provided to the Borrower, such increase shall become effective.

6. Forbearance

The Agent and the Lenders agree that, until the expiry or termination of the Forbearance Period, they will forbear from exercising their rights and remedies under the Loan Documents including their right as against the Companies to accelerate and demand payment of the Obligations as a result of the Existing Defaults. Upon the expiry or termination of the Forbearance Period, the foregoing agreement to forbear will automatically be terminated. For greater certainty, notwithstanding the foregoing agreement to forbear (a) the Existing Defaults will continue to operate as Events of Default for all other purposes of the Credit Agreement, (b) the Agent and the Lenders reserve all of their rights and remedies with respect to any other Default or Event of Default now or at any time hereafter existing, and (c) the Agent and the Lenders have not waived the Existing Defaults, but have reserved their right to accelerate and demand payment of the Obligations as a result of the Existing Defaults upon the termination or expiry of the Forbearance Period. Except as expressly provided herein, the execution and delivery of this Agreement shall not: (i) constitute an extension, modification, or waiver of any term or aspect of the Credit Agreement or the other Loan Documents; (ii) extend the terms of the Credit Agreement or the due date of any of the Obligations; (iii) give rise to any obligation on the part of the Agent or the Lenders to extend, modify or waive any term or condition of the Credit Agreement or any of the other Loan Documents; or (iv) give rise to any defences or counterclaims to the right of the Agent or the Lenders to compel payment of the Obligations or to otherwise enforce their rights and remedies under the Credit Agreement and the other Loan Documents. Except as expressly limited herein, the Agent and the Lenders hereby expressly reserve all of their rights and remedies under the Loan Documents and under applicable law with respect to the Existing Defaults.

- 6 -

7. **Conditions Precedent to Effectiveness of Agreement**

This Agreement will not be effective as against the Agent and the Lenders unless and until each of the following conditions has been satisfied in the Agent's sole and absolute discretion:

- (a) the Agent has received counterparts of this Agreement fully executed by the Borrower;
- (b) the Agent shall have received an acknowledgement and confirmation from the Guarantors as to the terms contained herein;
- (c) there exists no Default or Event of Default other than the Existing Defaults; and
- (d) the Agent shall have received a copy of the forbearance agreement from the Senior Lenders to the Borrower, which agreement shall be in form and substance satisfactory to the Agent (the "**Senior Forbearance Agreement**").

8. **Triggering Events**

In addition to any other rights or remedies of the Agent and the Lenders pursuant hereto and pursuant to the other Loan Documents, if any one or more of the following events has occurred (each, a "**Triggering Event**") and if, in accordance with Section 8 of the Senior Forbearance Agreement the Senior Agent has declared in writing that the Forbearance Period has terminated, the Agent may, and upon the instructions of the Majority Lenders the Agent will, declare by written notice to the Borrower that the Forbearance Period has terminated, such termination to be effective as of the time specified in such notice:

- (a) the Borrower defaults in the payment of any amount due and payable to the Agent or the Lenders pursuant to this Agreement or any other Loan Document;
- (b) any of the representations or warranties made or deemed to have been made by a Company in this Agreement proves to be incorrect as of the date given;
- (c) any Company after the date hereof fails or neglects to observe or perform any term, covenant, condition or obligation contained or referred to in this Agreement, including without limitation Section 5 hereof;
- (d) an "Event of Default" occurs under the Senior Credit Agreement other than these events of default existing as at the date hereof and identified as "Existing Defaults" in the Senior Forbearance Agreement;
- (e) an "Event of Default" occurs under the Credit Agreement, other than, for greater certainty, the Existing Defaults; and

- 7 -

- (f) the Borrower fails to deliver to the Agent any of the Forbearance Milestones set out in Section 4 as at such date required to be delivered.

9. Remedies

Upon the termination or expiry of the Forbearance Period, the Borrower covenants and agrees with the Agent and the Lenders that the Agent, upon instruction of the Required Lenders, may, subject to the provisions of the Intercreditor Agreement and in addition to any of the other remedies available to it under the Credit Agreement, declare any or all of the Obligations not already due and payable to be due and payable immediately and may demand payment of all such Obligations.

10. Agent's and Lenders' Fees and Expenses

The Borrower will pay on demand all reasonable third party costs, expenses and fees incurred by the Agent and the Lenders in connection with this Agreement or any other Loan Document, including all legal fees and expenses of Lenders' counsel in connection with this Agreement.

11. Senior Forbearance Agreement

The Borrower covenants that it will not amend the Senior Forbearance Agreement unless the Agent has provided its prior consent.

12. Acknowledgement

The Borrower acknowledges and confirms that, subject to Section 6, the Credit Agreement and the Security: (i) have not been released, discharged, waived or varied; (ii) are binding upon the Borrower; (iii) remain in full force and effect unamended; and (iv) are valid and enforceable against the Borrower in accordance with their written terms. The Borrower further acknowledges that the Security shall continue to secure the Obligations.

13. Further Assurances

For certainty, nothing contained herein shall be construed as a consent or waiver of any of the provisions of the Credit Agreement beyond that expressly stipulated in Section 6 hereof.

14. Release

The Borrower hereby releases and forever discharges the Agent, the Lenders and their respective employees, officers, directors, agents and advisors and their respective employees, officers, directors, agents and advisors and their representatives and successors from any and all claims, demands, suits, actions of whatsoever nature or kind which the Borrower has at today's date or arising from the execution and delivery of this Agreement.

- 8 -

15. Indemnity

The Borrower hereby agrees to indemnify and hold harmless the Agent and the Lenders and their respective officers, directors, employees, agents, attorneys in fact and affiliates (each, an "**Indemnitee**") from and against any and all claims and losses of any kind or nature whatsoever (but excluding consequential damages and damages for loss of profit) to which any Indemnitee becomes subject arising out of or relating to this Agreement, and to reimburse each such Indemnitee upon demand for any loss for legal or other expenses incurred by or on behalf of such Indemnitee in connection with defending any claim; provided that the foregoing indemnity will not as to any Indemnitee apply to any loss or claim or related expenses that a final non-appealable judgment of a court of competent jurisdiction has determined resulted from the gross negligence or wilful misconduct of such Indemnitee.

16. Amendments and Waivers

(a) Subject to Section 16(b), any term, covenant or condition of this Agreement may only be amended by agreement between the Borrower and the Agent, and compliance therewith by the Borrower may only be waived (either generally or in a particular instance and either retroactively or prospectively) by the Agent.

(b) No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and, unless otherwise provided, will be limited to the specific breach waived.

17. General

(a) This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

(b) Time is of the essence of this Agreement.

(c) For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have jurisdiction to entertain any action arising under this Agreement. The parties each hereby attorn to the jurisdiction of the courts of the Province of Ontario.

(d) No failure on the part of the Agent or the Lenders to exercise, and no delay in exercising, any right hereunder will operate as a waiver thereof. The rights and remedies of the parties hereunder are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or in equity or otherwise. No single or partial exercise by a party of any right or remedy precludes or otherwise affects the exercise of any other right or remedy to which that party may be entitled.

(e) The Borrower will, from time to time at its expense, execute and deliver all such further documents and instruments and do all acts and things as the Agent may reasonably

- 9 -

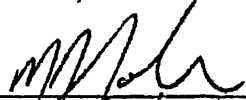
require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement and the full intent and meaning of the Security.

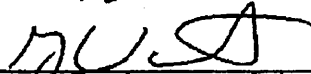
(f) This Agreement may be executed in any number of counterparts (whether by facsimile, pdf or original), each of which, will be deemed to be an original and all of which, when taken together, will be deemed to constitute one and the same instrument.

[SIGNATURE PAGES FOLLOW]

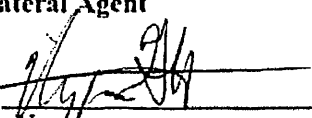
IN WITNESS WHEREOF, the parties have executed this Agreement.

**PRIMUS TELECOMMUNICATIONS
CANADA INC., as Borrower**

by 
Name: M. Nowlan
Title: CEO

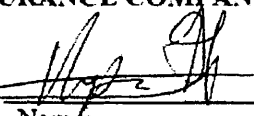

Name: G. VAN DER POST
Title: VP Finance

**THE MANUFACTURERS LIFE
INSURANCE COMPANY, as
Collateral Agent**

by 

Name:
Title:


**THE MANUFACTURERS LIFE
INSURANCE COMPANY, as Lender**

by 

Name:
Title:


Name:
Title:

**BANK OF MONTREAL d.b.a. BMO
Capital Partners, as Lender**

by 

Name: **Umair Mansoor**

Title: **Director**


Name:

Title: **Alex Baniczky
Vice President
BMO Capital Partners**

SCHEDULE A

EXISTING DEFAULTS

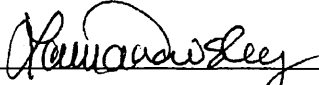
1. Section 9.01(b) of the Credit Agreement due to the failure by the Borrower to pay interest on the Obligations when due on January 31, 2015.
2. Failure to comply with Section 6.03(a)(i) of the Credit Agreement, being the Total Debt to EBITDA Ratio.
3. Failure to comply with Section 6.03(a)(ii) of the Credit Agreement, being the Senior Debt to EBITDA Ratio.
4. Failure to comply with Section 6.03(a)(iii) of the Credit Agreement, being the Fixed Charge Coverage Ratio.

EXHIBIT "F"

referred to in the Affidavit of

MICHAEL NOWLAN

Sworn January 18, 2016



Commissioner for Taking Affidavits

Laura Elizabeth Dowsley, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires April 1, 2017.

SUPPORT AGREEMENT

THIS SUPPORT AGREEMENT (this "Agreement") is made as of August 31, 2015.

BETWEEN:

BANK OF MONTREAL, as administrative agent for and on behalf of the Lenders (as hereafter defined),

(the "Agent")

- and -

Each Lender Party to the Credit Agreement (as defined below),

(the "Lenders")

- and -

PRIMUS TELECOMMUNICATIONS CANADA INC.,

(the "Borrower")

- and -

PT HOLDCO, INC.,

(the "Guarantor")

- and -

PTUS, INC.,

(the "Guarantor")

- and -

PRIMUS TELECOMMUNICATIONS, INC.,

(the "Guarantor")

- and -

- 2 -

LINGO, INC.,
(the "Guarantor")

- and -

PT HOLDCO, INC.,
(the "Guarantor").

RECITALS:

WHEREAS the Borrower, the Agent, the Lenders and the Guarantors are parties to a credit agreement dated as of July 31, 2013 (including an amending agreement dated as of September 23, 2014 and any other amendments to the date hereof, the "**Credit Agreement**");

AND WHEREAS the Borrower is not in compliance with its Total Debt to EBITDA Ratio, its Senior Debt to EBITDA Ratio and its Fixed Charge Coverage Ratio;

AND WHEREAS the Borrower has advised that it has not made the monthly interest payments due to the Subordinate Lenders since December 31, 2014 as required pursuant to the Subordinate Credit Agreement;

AND WHEREAS the Borrower did not make the principal payment due to the Lenders on June 30, 2015 as required pursuant to the Credit Agreement;

AND WHEREAS the Borrower has agreed to pursue a sale and investor solicitation process on a going concern basis as the most viable means of maximizing value for its stakeholders;

AND WHEREAS the Lenders are supportive of the Borrower pursuing such a sale and investor solicitation process;

NOW THEREFORE, in consideration of the premises and the covenants and agreements herein contained, the parties agree as follows:

1. Definitions

(a) Terms used in this Agreement (including the recitals hereto) that are defined in the Credit Agreement and are not otherwise defined herein have the same meanings herein as in the Credit Agreement. The term "Loan Documents" includes this Agreement. The term "including" means "including without limitation".

2. Borrower Covenants

- 3 -

Sale and Investor Solicitation Process

- (a) The Borrower shall initiate the sale and investment solicitation process (the "SISP") attached as Schedule "A" as soon as practicable and in any event no later than September 1, 2015;
- (b) The Borrower shall provide the Agent and KSV Advisory Inc. in its capacity as consultant appointed pursuant to Section 9.09 of the Credit Agreement (the "**Consultant**"), with a copy of any and all Phase 1 Bids and Bids (as defined in the SISP) upon any such Phase 1 Bid or Bid being received by the Borrower;
- (c) The Borrower shall consult with the Agent and Consultant prior to:
 - (i) selecting any Qualified Bidders as the Successful or Selected Bidders (as those terms are defined in the SISP);
 - (ii) determining to pursue an Auction (as defined in the SISP); and
 - (iii) accepting any Qualified Bid as a Successful Bid (as those terms are defined in the SISP) and, in that regard, shall provide the Agent and the Consultant with five (5) business days' notice prior to such acceptance together with a copy of the corresponding Qualified Bid;
- (d) The Borrower shall not amend the SISP or SISP Procedures (as defined in the SISP) without the prior written consent of the Agent, acting reasonably, except that the Borrower may make minor procedural amendments to the SISP or the SISP Procedures that do not impact the Milestones;
- (e) The Borrower shall not terminate the SISP Procedures (as defined in the SISP) without the prior written consent of the Agent, acting reasonably;
- (f) The Agent shall be entitled to attend any Auction (as defined in the SISP);
- (g) The Borrower shall not adopt any rules for the Auction (as defined in the SISP) or otherwise change or revoke such rules without the prior consent of the Agent, acting reasonably, except that the Borrower may make minor procedural amendments to the rules for the Auction;
- (h) The Borrower shall engage an investment banker no later than August 15, 2015 to implement the SISP and shall continue to retain the investment banker during the term of the SISP subject to the terms of the investment banker engagement letter. The terms of the engagement letter of the investment banker shall be acceptable to the Agent, acting reasonably, and the investment banker's engagement shall not be terminated without the consent of the Agent, acting reasonably;

- 4 -

- (i) The Agent and Consultant shall be entitled to communicate with the Sales Agent (as defined in the SISP) as they feel necessary and receive regular updates provided such communications include the Borrower;
- (j) The Borrower shall use its reasonable best efforts (including taking all reasonable actions necessary to obtain any regulatory approvals) to achieve the timeline and milestones set out in the SISP (which timeline and milestones may be extended by the Borrower at any time with the consent of the Agent, acting reasonably);
- (k) In the event that any transaction resulting from the SISP (a "**Transaction**") is required to be implemented by way of a court proceeding, the Borrower shall provide draft copies of all motions or applications and other documents the Borrower intends to file with the court to Davies Ward Phillips & Vineberg LLP at least seven (7) business days prior to the date when the Borrower intends to file such document (or as soon as possible where it is not reasonably practicable to provide copies seven (7) business days in advance), all such filings to be filed in form and substance acceptable to the Agent, acting reasonably;
- (l) The Borrower shall provide the Consultant with full access to the books and records of the Borrower and its subsidiaries on reasonable notice and during normal business hours and cause Borrower's management to fully cooperate with all reasonable requests for information by the Consultant, provided that such access shall not interfere with the normal operation of the business;
- (m) The Borrower and investment banker shall provide to the Consultant an oral or brief written weekly status update regarding its operations and matters pertaining to the SISP;

Ongoing Operation of Business

- (n) The Borrower shall operate its business in the ordinary course of business and shall make best efforts to operate its business in accordance with the Thirteen Week Cash Flow (defined below), having regard to the Borrower's financial condition, and the Borrower shall not, other than as contemplated in this Agreement, enter into any Material Contract unless it has provided five (5) business days' notice of same to the Agent and has not received an objection to same;
- (o) With respect to Material Contracts, the Borrower shall not, unless it has provided five (5) business days' notice of same to the Agent and has not received an objection to same, materially amend, materially modify, replace, terminate, repudiate, disclaim, waive any material right under, or take any other material steps or actions (other than as expressly required by such Material Contracts or in the ordinary course of performing its obligations under such Material Contracts) under or in respect of such Material Contracts in any manner;

- 5 -

- (p) The Borrower shall not materially increase compensation or severance entitlements or other benefits payable to directors, officers or employees, including by way of a key employee incentive plan, or pay any bonuses whatsoever, other than in the ordinary course of business and consistent with past practice or as required by law, except for the key employee retention agreements in the form set out in Schedule "B" (the "**KERP**") and provided that payments under the KERP shall not exceed (i) \$800,000 on a cumulative basis in respect of the Guaranteed Amount, Success Amount and Discretionary Amount (each as defined in the KERP), and (ii) \$250,000 on a cumulative basis in respect of the Bonus Amount (as defined in the KERP), which Bonus Amount is payable if a Transaction results in full and final payment of all amounts, including interest, principal and costs, due and owing under the Credit Agreement, and which KERP amounts are hereby consented to by the Agent for and on behalf of itself and the Lenders, or otherwise agreed to by the Agent and which can be increased with the consent of the Agent;
- (q) The Borrower shall comply with all terms and provisions of the Credit Agreement other than the requirement to make any further payments of principal although such amounts will continue to accrue and form part of the Obligations under the Credit Agreement;
- (r) Notwithstanding anything contained in the Credit Agreement to the contrary, the Borrower (i) shall not and shall ensure that each Company shall not, following the date hereof, provide any Financial Assistance to any Person which is not a Company; and (ii) shall not make any Distributions other than to another Company in the ordinary course and any payment of any fees to directors;
- (s) The Borrower shall not incur or commit to incur any capital expenditures other than as contemplated in the Thirteen Week Cash Flow unless it has provided five (5) business days' notice of same to the Agent and has not received any objection to same, other than a capital expenditure required to end an interruption or avoid an imminent interruption in the Borrower's business;
- (t) The Borrower shall not waive, release, assign, settle or compromise any claims or liabilities out of the ordinary course of business;
- (u) The Borrower shall promptly notify the Agent of any resignation of, or leave of absence taken by, any of its directors or senior officers;
- (v) The Borrower shall provide the Agent and Consultant:
- (i) on or before the date hereof, a weekly cash flow projection reflecting the projected cash requirements of the Borrower (on a consolidated basis) for the thirteen (13) week period commencing on August 10, 2015, which cash flow projection shall be updated on a rolling weekly basis (the "**Thirteen Week Cash Flow**");

- 6 -

- (ii) on Thursday of each week after the date hereof, a variance report (the "**Weekly Cash Flow Variance Report**") comparing on a line-by-line basis actual receipts and disbursements for the cumulative period since the date hereof against the amounts shown in the Thirteen Week Cash Flow and showing the total available cash as at the last day of the prior week. The Weekly Cash Flow Variance Report shall include explanations for all variances greater than \$50,000 and shall be certified by the Chief Financial Officer of the Borrower. The first Weekly Budget Variance Report shall be delivered on Thursday, August 20, 2015;
- (iii) on or before the date hereof, a monthly financial projection (integrated cash flow, income statement and balance sheet) of the Borrower (on a consolidated basis) for the six (6) month period commencing on August 1, 2015, which projection shall be updated on a rolling monthly basis (the "**Six Month Projection**"); and
- (iv) monthly financial statements for the Borrower as required under the Credit Agreement, including a variance report ("**Monthly Report**") comparing actual results to the Six Month Projection. The Monthly Report shall include explanations for all variances greater than \$100,000 and shall be certified by the Chief Financial Officer of the Borrower;
- (w) The Borrower shall not make any cash payment (whether principal, interest, fees or otherwise) to the Subordinate Lenders or any of their legal or professional advisors during the term of this Agreement; and
- (x) The Thirteen Week Cash Flow and the Six Month Projection must be acceptable to the Agent, acting reasonably.

3. **Borrower Acknowledgements**

The Borrower specifically acknowledges and agrees in favour of the Agent and the Lenders that:

- (a) the Borrower is in default under the Credit Agreement and the Agent and the Lenders are now in a position to exercise their rights and remedies pursuant to the Loan Documents, including the right to terminate the Commitments and to accelerate and demand payment of the Obligations;
- (b) the Agent and the Lenders have not yet enforced the Security held by them under the Loan Documents (and the Borrower acknowledges that the making of this Agreement by the Agent and the Lenders is not an enforcement of the Security), but the Agent and the Lenders have reserved all of their rights to take such steps as they deem advisable, including demanding payment of the Obligations and thereafter enforcing any and all remedies available to them hereunder, under the Security and other Loan Documents, at law and in equity;

- 7 -

- (c) the Lenders have no commitment or other obligation to extend further credit to the Borrower under Tranche A-1;
- (d) the Swingline Lender has no commitment or other obligation to extend further credit to the Borrower under Tranche A-2;
- (e) time continues to be of the essence in performance of the obligations set out in the Loan Documents, except as otherwise set out herein;
- (f) each of the defaults listed in Schedule "D" hereto (the "**Existing Defaults**") has occurred and is continuing, has not been waived by the Agent or the Lenders, and the Agent and the Lenders have expressly reserved all of their rights and remedies under the Loan Documents and under applicable laws with respect to the Existing Defaults;
- (g) the occurrence and continuance of any Event of Default (other than the Existing Defaults and any further non-payment of principal) under the Credit Agreement shall constitute a Triggering Event hereunder; and
- (h) it will not assert any claim, counterclaim or other cause of action whatsoever against the Agent or any of the Lenders arising from or based on matters existing or occurring prior to the date hereof with respect to or in connection with the Obligations or the Loan Documents.
- (i) subject to the terms hereof, the Credit Agreement and the Security: (i) have not been released, discharged, waived or varied; (ii) are binding upon the Borrower; (iii) remain in full force and effect unamended; and (iv) are valid and enforceable against the Borrower in accordance with their written terms
- (j) the Security shall continue to secure the Obligations;
- (k) the Agent and the Lenders reserve all of their rights and remedies with respect to any other Default or Event of Default now or at any time hereafter existing;
- (l) the Agent and the Lenders have not waived the Existing Defaults, but have reserved their right to accelerate and demand payment of the Obligations as a result of the Existing Defaults upon the termination or expiry of this Agreement;
- (m) Except as expressly provided herein, the execution and delivery of this Agreement shall not: (i) constitute an extension, modification, or waiver of any term or aspect of the Credit Agreement or the other Loan Documents; (ii) extend the terms of the Credit Agreement or the due date of any of the Obligations; (iii) give rise to any obligation on the part of the Agent or the Lenders to extend, modify or waive any term or condition of the Credit Agreement or any of the other Loan Documents; or (iv) give rise to any defences or counterclaims to the right of the Agent or the

- 8 -

Lenders to compel payment of the Obligations or to otherwise enforce their rights and remedies under the Credit Agreement and the other Loan Documents; and

- (n) Except as expressly limited herein, the Agent and the Lenders hereby expressly reserve all of their rights and remedies under the Loan Documents and under applicable law with respect to the Existing Defaults.

4. **Borrower Representation and Warranties**

The Borrower represents and warrants to the Agent and the Lenders that:

- (a) the execution, delivery and performance of this Agreement has been duly authorized by all actions, if any, required on its part and by its shareholders and directors;
- (b) no representation or warranty of any Company contained in the Credit Agreement or any of the other Loan Documents, including this Agreement, is untrue or incorrect as of the date hereof except with respect to any representation related to Defaults or Events of Default, which representation is qualified as set out in this Agreement;
- (c) there is no matter, fact or event which is known to the Borrower which has not been disclosed to the Agent which is likely to have a material adverse effect on the performance of the Borrower's obligations under the Credit Agreement or this Agreement (including the performance of the SISP);
- (d) the Existing Defaults are the only Defaults and Events of Default that have occurred and are continuing, and no other Default or Event of Default exists; and
- (e) it (i) understands fully the terms of this Agreement and the consequences of the execution and delivery of this Agreement, (ii) has been afforded an opportunity to have this Agreement reviewed by, and to discuss this Agreement and the documents executed in connection herewith, with such attorneys and other persons and advisors as the Borrower may wish, and (iii) has entered into this Agreement and executed and delivered all documents in connection herewith of its own free will and accord and without threat, duress or other coercion of any kind by any Person.

5. **Milestones**

The Borrower covenants and agrees with the Agent and the Lenders that it will deliver to the Agent or otherwise achieve each of the following in accordance with the timing set forth below (each a "Milestone" and collectively the "Milestones"):

- 9 -

- (a) commence marketing to Interested Parties (as defined in the SISP) pursuant to the SISP on or before September 1, 2015 and provide copies of all marketing materials to the Agent and the Consultant on or before August 21, 2015;
- (b) be in receipt of one or more Phase 1 Bids (as defined in the SISP) on or before October 1, 2015;
- (c) be in receipt of one or more Bids (as defined in the SISP) on or before November 2, 2015;
- (d) enter into binding agreement(s) with the Successful Bidder(s) (as defined in the SISP) on or before November 30, 2015;
- (e) close all agreement(s) and transactions with the Successful Bidder(s) (as defined in the SISP) on or before December 31, 2015; and
- (f) such other items required to be delivered pursuant to the Credit Agreement when due.

6. **Agent and Lenders Covenants**

- (a) The Agent and the Lenders, until the expiry or termination of this Agreement, shall forbear from exercising their rights and remedies (other than their rights and remedies under this Agreement) including their right as against the Companies to accelerate and demand payment of the Obligations as a result of the Existing Defaults or any future non-payment of principal, their right to enforce their security or seek the appointment of a Receiver, Receiver and Manager or Trustee in Bankruptcy;
- (b) Until the expiry or termination of this Agreement, the Lenders shall not sell, assign, lend, pledge, hypothecate (except with respect to security generally applying to its investments which does not adversely affect such Lenders' ability to perform its obligations under this Agreement) or otherwise transfer any of its Loans or any rights or interests therein or enter into any agreement, arrangement or understanding in connection therewith, except that any one of the Lenders may transfer its Loans to another one of the Lenders or to any transferee provided that such transferee agrees to be bound by all of the terms of this Agreement as if such transferee had originally executed this Agreement;
- (c) The Agent and the Lenders shall not take any action inconsistent with this Agreement or that would frustrate or hinder the consummation of a Transaction;
- (d) None of the Lenders will submit a proposal for the acquisition of the business or assets of the business pursuant to the SISP unless the SISP is terminated without a selection of a Successful Bidder; and

- 10 -

- (e) Until the expiry or termination of this Agreement, each of the Agent and the Lenders shall, on and subject to the terms and conditions hereof:
- (i) support the approval of a Transaction as promptly as practicable provided that the Transaction is acceptable to the Agent and Lenders, acting reasonably;
 - (ii) not propose, file, solicit, vote for or otherwise support any alternative offer, restructuring, liquidation, workout or plan of compromise or arrangement or reorganization of or for the Borrower, including any proceeding under the *Companies' Creditors Arrangement Act*, the *Bankruptcy and Insolvency Act* or otherwise;
 - (iii) in the event that a Transaction is implemented by way of a court proceeding, support all motions filed by the Borrower in any such court proceeding (the "**Restructuring Proceedings**") that are in furtherance of the consummation of a Transaction provided that the Transaction is acceptable to the Agent and Lenders, acting reasonably;
 - (iv) not take or omit to take any action, directly or indirectly, that is materially inconsistent with, or is intended or is likely to interfere with the consummation of a Transaction; and
 - (v) execute any and all documents and perform any and all commercially reasonable acts required by this Agreement to satisfy all of its obligations hereunder including any consent, approval or waiver requested by the Borrower in furtherance of a Transaction, acting reasonably,

provided that nothing contained herein shall limit the ability of any of the Agent or Lenders to appear and be heard concerning any matter arising in the Restructuring Proceedings so long as such appearance is not inconsistent with the Agent and Lenders obligations hereunder.

7. **Conditions Precedent to Effectiveness of Agreement**

This Agreement will not be effective as against the Agent and the Lenders unless the Agent has received counterparts of this Agreement fully executed by the Borrower.

8. **Triggering Events**

In addition to any other rights or remedies of the Agent and the Lenders pursuant hereto and pursuant to the other Loan Documents, if any one or more of the following events has occurred (each, a "**Triggering Event**"), the Agent may, and upon the instructions of the Required Lenders the Agent will, declare by written notice to the Borrower that this Agreement has terminated, such termination to be effective as of the time specified in such notice:

- 11 -

- (a) other than for any non-payment of principal due after the date of this Agreement, the Borrower defaults in the payment of any amount due and payable to the Agent or the Lenders pursuant to this Agreement or any other Loan Document;
- (b) any of the representations or warranties made or deemed to have been made by a Company in this Agreement proves to be incorrect as of the date given;
- (c) any Company after the date hereof fails or neglects to observe or perform any term, covenant, condition or obligation contained or referred to in this Agreement, including without limitation Section 2 hereof;
- (d) the Borrower fails to meet any of the timeline requirements set forth in the SISP (as such timelines may be extended in accordance with the terms of this Agreement);
- (e) an "Event of Default" occurs under the Credit Agreement, other than the Existing Defaults or the anticipated defaults as set out in Schedule "E" (the "**Anticipated Defaults**"), during the term of this Agreement;
- (f) the Borrower fails to deliver to the Agent or to meet any of the Milestones set out in Section 5 as at such date set out therein;
- (g) the issuance of any final and un-appealable decision, order or decree by a governmental entity, or the commencement of an action or investigation by any governmental entity, in consequence or in connection with a Transaction, which restrains, impedes or prohibits the Transaction;
- (h) any of the conditions set out in Section 7 not being waived or satisfied in accordance with the terms hereof; and
- (i) if a Transaction has not been completed by December 31, 2015, or such later date as may be agreed to by the Agent and the Borrower (the "**Outside Date**").

9. Remedies

Upon the termination or expiry of this Agreement, the Borrower covenants and agrees with the Agent and the Lenders that the Agent, upon instruction of the Required Lenders, may, in addition to any of the other remedies available to it under the Credit Agreement, declare any or all of the Obligations not already due and payable to be due and payable immediately and may demand payment of all such Obligations.

10. Term

This Agreement shall automatically terminate following the completion of a Transaction pertaining to all or substantially all of the Business or Property.

- 12 -

11. Effect of Termination

- (a) Subject to (b) below, upon its termination this Agreement shall be of no further force or effect and each party hereto shall be automatically and simultaneously released from its commitments, undertakings, and covenants under or related to this Agreement.
- (b) Notwithstanding the termination or expiry of this Agreement, the agreements and obligations of the parties in Sections 6(a), 2(k), 2(l), 2(n) to and including 2(w) shall survive such termination for twenty-eight (28) days ("**Transition Period**") and shall continue to be in full force and effect for the benefit of the parties in accordance with the terms hereof. On the earlier of the expiry of the Transition Period or on seven (7) days' notice by either party, the parties shall be automatically and simultaneously released from all its commitments, undertakings, and covenants under or related to this Agreement.

12. Agent's and Lenders' Fees and Expenses

The Borrower will pay on demand all reasonable third party costs, expenses and fees incurred by the Agent and the Lenders in connection with this Agreement or any other Loan Document, including all legal fees and expenses of Lenders' counsel and the Consultant in connection with this Agreement.

13. Communications Among Lenders

The Borrower hereby acknowledges and consents to communications from time to time between the Senior Creditors and Subordinate Creditors and the sharing of information as determined advisable by each such Creditor in its discretion.

14. Further Assurances

For certainty, nothing contained herein shall be construed as a consent or waiver of any of the provisions of the Credit Agreement beyond that expressly stipulated in this Agreement.

15. Release

The Borrower hereby releases and forever discharges the Agent, the Lenders and their respective employees, officers, directors, agents and advisors and their respective employees, officers, directors, agents and advisors and their representatives and successors from any and all claims, demands, suits, actions of whatsoever nature or kind which the Borrower has at today's date or arising from the execution and delivery of this Agreement.

16. Amendments and Waivers

- 13 -

(a) Subject to Section 16(b), any term, covenant or condition of this Agreement may only be amended by agreement between the Borrower and the Agent, and compliance therewith by the Borrower may only be waived (either generally or in a particular instance and either retroactively or prospectively) by the Agent.

(b) No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and, unless otherwise provided, will be limited to the specific breach waived.

17. Notice

(a) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by e-mail or similar means of recorded electronic communication or sent by registered mail, charges prepaid, addressed as follows:

TO THE AGENT:

BMO Bank of Montreal
Special Accounts Management Unit, National Accounts
First Canadian Place
7th Floor, 100 King Street West
Toronto, ON M5X 1A1

Attention: Amit Walia and Greg Fedoryn
Email: amit.walia@bmo.com / greg.fedoryn@bmo.com

with a copy to:

Davies Ward Phillips & Vineberg LLP
155 Wellington Street West, Suite 4000
Toronto, ON M5V 3J7

Attention: Natasha MacParland
E-mail: nmacparland@dwpv.com

TO THE COMPANY:

Primus Telecommunications Canada Inc.
5343 Dundas Street West
Suite 400
Toronto, ON M9B 6K5

- 14 -

Attention: Michael Nowlan
Email: mnowlan@primustel.ca

COPY TO:

Stikeman Elliott LLP
5300 Commerce Court West
199 Bay Street
Toronto, ON M5L 1B9

Attention: Samantha Horn
Email: shorn@stikeman.com

(b) Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a business day or if delivery or transmission is made on a business day after 5:00 p.m. at the place of receipt, then on the next following business day) or, if mailed, on the third business day following the date of mailing; provided, however, that if at the time of mailing or within three business days thereafter there is or occurs a labour dispute or other event which might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by means of recorded electronic communication as aforesaid.

(c) Any party may at any time change its address for service from time to time by giving notice to the other parties in accordance with this Section 17.

18. General

(a) This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

(b) Time is of the essence of this Agreement.

(c) For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have jurisdiction to entertain any action arising under this Agreement. The parties each hereby attorn to the jurisdiction of the courts of the Province of Ontario.

(d) No failure on the part of the Agent or the Lenders to exercise, and no delay in exercising, any right hereunder will operate as a waiver thereof. The rights and remedies of the parties hereunder are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or in equity or otherwise. No single or partial exercise by a party of any right or remedy precludes or otherwise affects the exercise of any other right or remedy to which that party may be entitled.

- 15 -

(e) The Borrower will, from time to time at its expense, execute and deliver all such further documents and instruments and do all acts and things as the Agent may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement and the full intent and meaning of the Security.

(f) The agreements, representations, warranties and covenants of the Agent and the Lenders herein are, in all respects, several and not joint or joint and several.

(g) The headings in this Agreement are for reference only and shall not affect the meaning or interpretation of this Agreement.

(h) Unless the context otherwise requires, words importing the singular shall include the plural and vice versa and words importing any gender shall include all genders.

(i) This Agreement (including all schedules hereto) constitutes the entire agreement and supersedes all prior agreements and understanding, both oral and written, among the parties with respect to the subject matter hereof.

(j) This Agreement may be modified, amended or supplemented as to any matter in writing signed by the Borrower and the Agent.

(k) No party may assign, delegate or otherwise transfer any of its rights, interests or obligations under this Agreement without the prior written consent of the other parties hereto, except that any of the Lenders may transfer the Loans in compliance with and to the extent permitted by Section 6(b).

(l) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(m) If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the terms of this Agreement remain as originally contemplated to the fullest extent possible.

(n) This Agreement may be executed in any number of counterparts (whether by facsimile, pdf or original), each of which, will be deemed to be an original and all of which, when taken together, will be deemed to constitute one and the same instrument.

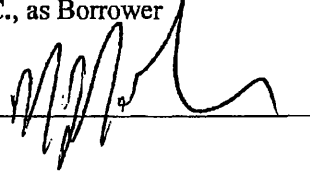
[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Agreement.

**PRIMUS TELECOMMUNICATIONS
CANADA INC., as Borrower**

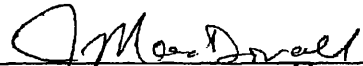
by

Name:
Title:

A handwritten signature in black ink, appearing to be 'M. J. ...', written over a horizontal line.


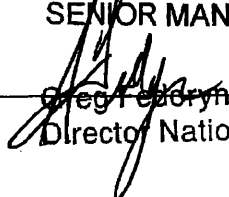
Name:
Title:

BANK OF MONTREAL, as Agent

by 
Name: **Jeanette MacDonald**
Title: **Director**

Name:
Title:

BANK OF MONTREAL, as Lender

by 
Name: AMIT WALIA
Title: SENIOR MANAGER

Name: Greg Fedoryn
Title: Director National Accounts

HSBC BANK CANADA, as Lender

by _____
Name:
Title:

Name:
Title:

**ALBERTA TREASURY BRANCHES,
as Lender**

by _____
Name:
Title:

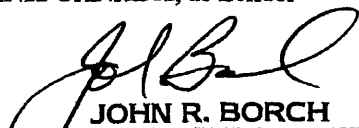
Name:
Title:

BANK OF MONTREAL, as Lender

by _____
Name:
Title:

Name:
Title:

HSBC BANK CANADA, as Lender

by 
Name: **JOHN R. BORCH**
Title: ASSISTANT VICE PRESIDENT
HSEC BANK CANADA


Name: **J.S. BRYDON**
Title: Assistant Vice President

**ALBERTA TREASURY BRANCHES,
as Lender**

by _____
Name:
Title:

Name:
Title:

BANK OF MONTREAL, as Lender

by _____

Name:

Title:

Name:

Title:

HSBC BANK CANADA, as Lender

by _____

Name:

Title:

Name:

Title:

**ALBERTA TREASURY BRANCHES,
as Lender**

by _____

Name:  Mark Bishop
Title: Account Manager
ASSET MANAGEMENT

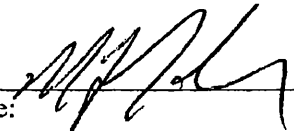
Name:  Bruce Stang
Title: Director
Asset Management

PT HOLDCO, INC., as Guarantor

by 
Name: _____
Title: _____

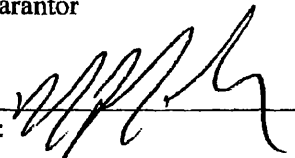
Name:
Title:

PTUS, INC., as Guarantor

by 
Name: _____
Title: _____

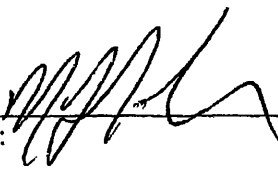
Name:
Title:

**PRIMUS TELECOMMUNICATIONS,
INC., as Guarantor**

by 
Name: _____
Title: _____

Name:
Title:

LINGO, INC., as Guarantor

by 
Name:
Title:

Name:
Title:

SCHEDULE "A"

SALE AND INVESTOR SOLICITATION PROCESS

1. The purpose of the SISP is to identify one or more financiers, purchasers of and/or investors in the Primus Group's Business and/or Property (each as defined herein) with a completion date of a transaction or transactions no later than December 31, 2015.
2. Set forth below are the procedures (the "SISP Procedures") to be followed with respect to the SISP and, if there is a Successful Bid or Successful Bids (as defined herein), to complete the transactions contemplated by such Successful Bid(s).

Defined Terms

3. Capitalized terms used but not otherwise defined in these SISP Procedures shall have the following meaning:

"**Company**" means Primus Telecommunications Canada Inc.

"**Data Room**" means an electronic data room compiled and maintained by the Company containing confidential information in respect of the Primus Group, the Business and the Property.

"**First Secured Debt**" means all of the indebtedness owing pursuant to the Credit Agreement.

"**NDA**" means a non-disclosure and standstill agreement in form and substance satisfactory to the Company.

"**Portion Bid**" means a Bid for less than all or substantially all of the Property that is otherwise a Qualified Bid.

"**Portion Bidder**" means a Qualified Bidder that submits a Portion Bid.

"**Primus Group**" means the Company together with its subsidiaries and affiliates.

"**Sale Advisor**" means an investment banker engaged by the Company to assist with the implementation of the SISP.

Solicitation Process

4. The SISP Procedures set forth herein describe the manner in which Interested Parties (as defined in paragraph 6 below) may gain access to or continue to have access to due diligence materials concerning the Primus Group, its business and operations (the "**Business**") and its assets, undertakings and properties (collectively, the "**Property**"), the manner in which a bid becomes a Qualified Bid (as defined herein), the receipt and negotiation of Qualified Bids received, the ultimate selection of Successful Bid(s) and/or Alternate Bids(s) (as defined in Appendix B).

- 2 -

5. The Company shall have overall supervision of the SISP Procedures and shall lead the process with the support and assistance of its advisors.
6. The Company, with the assistance of the Sale Advisor, will compile a listing of prospective financiers, investors and/or purchasers (together with others expressing an interest in the Business and/or Property, the "**Interested Parties**"). The Sale Advisor will use its best efforts to contact all Interested Parties to introduce the opportunity for investment in or the acquisition of the Business or Property and will provide a "teaser" describing the opportunity to finance, acquire or invest in the Primus Group or to acquire some, all or substantially all of the Business or the Property to each Interested Party that expresses an interest in receiving such teaser.
7. Interested Parties will be invited to a management presentation upon execution of an NDA.
8. Within one week after the Phase 1 Bid Deadline and at the discretion of the Company, Qualified Bidders will be provided with a form of definitive purchase agreement (the "**Template Purchase Agreement**") to be used in submitting a Bid for the acquisition for some or all of the Property and provided access to the Data Room.

Due Diligence From Qualified Bidders

9. Each Qualified Bidder shall comply with all reasonable requests for additional information by the Company regarding such Qualified Bidder and its contemplated transaction. Failure by a Qualified Bidder to comply with requests for additional information will be a basis for the Company to disqualify the Qualified Bidder.

Deadlines

Phase 1 Bid Deadline

10. An Interested Party, if it wishes to submit an initial nonbinding offer, must deliver an original executed copy of a comprehensive nonbinding proposal (a "**Phase 1 Bid**") to the Company at the address specified in Appendix A hereto (including by email) so as to be received by the Company by not later than 12:00 p.m. (Eastern Time) on October 1, 2015, or such other later date or time as may be set by the Company (the "**Phase 1 Bid Deadline**").

Phase 2 Bid Deadline

11. A Qualified Bidder, if it wishes to submit a binding offer, must deliver an original executed copy of a comprehensive, final and binding proposal (a "**Bid**") to the Company at the address specified in Appendix A hereto (including by email) so as to be received by the Company by not later than 12:00 p.m. (Eastern Time) on November 2, 2015, or such other later date or time as may be set by the Company (the "**Bid Deadline**").

- 3 -

Participant Requirements

12. To participate in the process detailed by these SISP Procedures and to otherwise be considered for any purpose hereunder, an interested party must submit a Phase 1 Bid and each bidder submitting a Phase 1 Bid (a "**Qualified Bidder**") must be determined by the Company to have satisfactorily provided the Company with each of the following on or before the Phase 1 Bid Deadline (collectively, the "**Participant Requirements**"):
- (a) Identification of Qualified Bidder. Identification of the Qualified Bidder and any Principals (defined below), and the representatives thereof who are authorized to appear and act on their behalf for all purposes regarding the contemplated transaction;
 - (b) Non-Binding Expression of Interest. An executed non-binding indication of interest that must reasonably identify the contemplated transaction, including the assets proposed to be acquired, the proposed purchase price, and any contingencies, and conditions precedent to closing;
 - (c) Corporate Authority. Execution of the Phase 1 Bid by the Qualified Bidder's chief executive officer or other appropriate senior executive or evidence that such officer has approved the Phase 1 Bid; provided, however, that, if the Qualified Bidder is an entity specially formed for the purpose of effectuating the contemplated transaction (an "**Acquisition Entity**"), then the Qualified Bidder must furnish written evidence reasonably acceptable to the Debtors of the approval of the Phase 1 Bid by the equity holder(s) of such Qualified Bidder and any guarantor of the bid (the "**Principals**"); and
 - (d) Confidentiality Agreement. An executed NDA.

Submission of Binding Offers

13. A Bid will be deemed to be a "**Qualified Bid**" only if the Bid complies with all of the following:
- (a) It includes a letter stating that the Bid is irrevocable until the later of (i) the selection of the Successful Bidder (as defined herein) and (ii) thirty (30) calendar days following the Bid Deadline, provided that if such bidder is selected as the Successful Bidder or the Alternate Bidder (as defined in Appendix B), its Bid shall remain irrevocable until the closing of the sale to the Successful Bidder or to the Alternate Bid Expiration Date (as defined below), as applicable;
 - (b) It includes:
 - (i) in the case of a Bid to purchase the Business or any or all of the Property, a duly authorized and executed definitive purchase agreement substantially in the form of the Template Purchase Agreement containing the detailed

- 4 -

- terms and conditions of the proposed transaction, including identification of the Business or the Property proposed to be acquired, the purchase price for the Business or Property proposed to be acquired (the "**Purchase Price**"), the detailed structure and financing of the proposed transaction, together with a red line comparing the purchase agreement submitted to the Template Purchase Agreement; or
- (ii) in the case of an offer to make an investment in the Primus Group, a duly authorized and executed term sheet describing the detailed terms and conditions of the proposed transaction, including details regarding the proposed equity and debt structure of the Primus Group following completion of the proposed transaction, the direct or indirect investment target and the aggregate amount of equity and debt investment (including the sources of such capital, the underlying assumptions regarding the *pro forma* capital structure, as well as anticipated tranches of debt, debt service fees, interest and amortization) to be made in the Primus Group, the treatment of the First Secured Debt (including what portion of the First Secured Debt will be paid on closing) and the debt, equity, or other securities, if any, proposed to be allocated to other creditors of the Primus Group;
- (c) It includes written evidence upon which the Company may reasonably conclude that the Qualified Bidder has the necessary financial ability to close the contemplated transaction and provide adequate assurance of future performance of all obligations to be assumed in such contemplated transaction. Such information should include, among other things, the following:
- (iii) evidence of the Qualified Bidder's internal resources and proof of any debt or equity funding commitments that are needed to close the contemplated transaction;
 - (iv) contact names and numbers for verification of financing sources; and
 - (v) any such other form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Company demonstrating that such Qualified Bidder has the ability to close the contemplated transaction;
- (d) It indicates whether regulatory approval is anticipated to be required;
 - (e) It is not conditioned on (i) the outcome of unperformed due diligence and/or (ii) obtaining financing;
 - (f) It fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the bid, including whether any prior or current member of the Company's board,

- 5 -

management, any employee or consultant to the Company or any creditor (including any of the Lenders) or shareholder of the Company is involved in any way with the bid or assisted with the bid, and the complete terms of any such participation as well as evidence of corporate authority to sponsor or participate in the bid;

- (g) It includes an acknowledgement and representation that the Qualified Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property to be acquired and liabilities to be assumed in making its bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Property to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly provided in a definitive agreement;
 - (h) It includes evidence, in form and substance reasonably satisfactory to the Company, 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 contemplated by the bid, and identifies any anticipated shareholder, regulatory or other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;
 - (i) It does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment;
 - (j) It is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a bank account specified by the Company), or such other form acceptable to the Company, payable to the order of the Company, in trust, (i) if the total consideration is quantifiable, in an amount equal to 5% of the cash consideration of the Bid which Deposit shall be held and dealt with in accordance with these SISP Procedures;
 - (k) It contains such other information as may reasonably be requested by the Company; and
 - (l) It is received by the Bid Deadline.
14. The Company may waive any one or more minor and non-material violations of the requirements specified for Qualified Bids and deem such non-compliant bids to be Qualified Bids.

Evaluation of Qualified Bids and Subsequent Actions

15. The Company shall evaluate Qualified Bids on various grounds including, but not limited to, the purchase price or imputed value, the treatment of creditors and related implied

- 6 -

recovery for creditors (in each case, as applicable) and any delay or other risks (including closing risks) in connection with the Qualified Bids. Following that evaluation, the Company may:

- (a) Accept one (or more than one, if for distinct and compatible transactions) of the Qualified Bids (each a "**Successful Bid**" and the offeror(s) making such Successful Bid being a "**Successful Bidder**") and take such steps as may be necessary to finalize definitive transaction documents for the Successful Bid(s) with Successful Bidder(s);
 - (b) Continue negotiations with selected Qualified Bidders (collectively, the "**Selected Bidders**") with a view to finalizing acceptable terms with one (or more than one, if for distinct and compatible transactions) of the Qualified Bidders; or
 - (c) Pursue an auction in accordance with the procedures set out in the attached Appendix B (an "**Auction**") if more than one Qualified Bid for the same Property or aspects of the Business has been received or if the Company otherwise determines that an Auction is appropriate under the circumstances.
16. The Company shall be under no obligation to accept the highest or best offer or any offer or to pursue or hold an Auction or to select any Successful Bidder(s) and any Alternate Bidder(s).
 17. If a Successful Bidder fails to consummate a transaction related to the Property or portion thereof for any reason, then the Alternate Bid will be deemed to be the Successful Bid for the Property or portion thereof and the Company will proceed with the transaction pursuant to the terms of the Alternate Bid. Alternate Bids shall remain open for acceptance until the completion of the transaction(s) with the Successful Bidder(s) (the "**Alternate Bid Expiration Date**").
 18. All Qualified Bids (other than the Successful Bid(s) and the Alternate Bid(s)) shall be deemed rejected by the Company on and as of the date of the execution of definitive documents with respect to the transactions contemplated by the Successful Bid(s) by the Company.
 19. If no Qualified Bids are received by the Bid Deadline or if no Qualified Bid(s) are accepted or if no Successful Bidder(s) have been selected or no Auction has been pursued by the Company by November 30, 2015, the SISP shall automatically terminate. If no transaction has been successfully consummated with the Successful Bidder by December 31, 2015, the SISP shall automatically terminate.

Deposits

20. All Deposits shall be held by the Company in a single account designated solely for such purpose. A Deposit paid by a Successful Bidder shall be dealt with in accordance with the definitive documents for the transactions contemplated by the Successful Bid. Deposits

- 7 -

paid by Qualified Bidders not selected as either a Successful Bidder or an Alternate Bidder shall be returned to such Qualified Bidders within three (3) Business Days of the date upon which definitive documents in respect of a Successful Bid are executed by the Company. In the case of an Alternate Bid, the Deposit shall be retained by the Company until the Alternate Bid Expiration Date and returned to the Alternate Bidder within three (3) Business Days thereafter or, if an Alternate Bid becomes a Successful Bid, shall be dealt with in accordance with the definitive documents for the Alternate Bid.

"As Is, Where Is"

21. Any sale of the Business and/or Property or any investment in the Primus Group will be on an *"as is, where is"* basis and without surviving representations or warranties of any kind, nature, or description by the Primus Group or its advisors or any of their agents or estates, except to the extent otherwise provided under any definitive sale or investment agreement with a Successful Bidder executed by the Company. Neither the Company nor its advisors or any of their agents or estates makes any representation or warranty as to the information contained in the teaser, the management presentation or in the Data Room, except to the extent otherwise provided under any definitive sale or investment agreement with a Successful Bidder executed by the Company. Each Qualified Bidder is deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Business and Property prior to making its offer, that it has relied solely on its own independent review, investigation, and/or inspection of any documents and/or the Business and Property in making its Bid, and that it did not rely on any written or oral statements, representations, promises, warranties, conditions or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Business and Property, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these SISP procedures or the terms of any definitive transaction documents.

No Obligation to Conclude a Sale

22. The Company shall have no obligation to agree to conclude a sale or investment arising out of the SISP, and reserves the right and unfettered discretion to reject any offer or other proposal made in connection with the SISP. In addition, the Company may at any time terminate these SISP Procedures, and shall provide notice of any such termination to any Qualified Bidders.

Information

23. Notwithstanding anything else in these SISP Procedures, to the extent that any director, officer or employee of, or any consultant to, the Company or any of its subsidiaries, or any entity controlled by such person, either individually or jointly with another Interested Party, submits a Bid, participates at the Auction as a bidder, or is directly or indirectly involved with or assisting any Interested Party that is contemplating submitting a Bid, submits a Bid, is deemed a Qualified Bidder, or participates at the Auction as a bidder, such person shall no longer from the first applicable point forward (i) be included in any

- 8 -

discussions or deliberations in connection with these SISP Procedures, including any decision making of the Company in respect of any matter on which the Company's consent is required or (ii) receive any information under these SISP Procedures.

Communications

24. All Interested Parties and any bidders shall direct all communications or discussions with respect to these SISP Procedures, including but not limited to, any requests for information about the Company and the Property or Business or with respect to the terms or conditions of any proposed or actual bid, or the status of any such bids, directly to the Sale Advisor.

Modifications and Reservations

25. The Company reserves the right to amend or modify these SISP Procedures.
26. These SISP Procedures do not, and will not be interpreted to, create any contractual or other legal relationship between the Company or its advisors and any Qualified Bidder, other than, with respect to the Company, as specifically set forth in a definitive agreement executed by the Company.

APPENDIX A

ADDRESSES FOR NOTICES

APPENDIX B**AUCTION PROCEDURES****Auction**

1. If the Company determines to conduct an Auction pursuant to paragraph ___ of these SISP Procedures, the Sale Advisor will conduct at a time and place to be set within two weeks after the Bid Deadline. The Auction shall be conducted in accordance with the following procedures:
 - (a) Participation At The Auction. Only a Qualified Bidder that has submitted a Qualified Bid is eligible to participate in the Auction. Only the authorized representatives (including counsel and other advisors) of each of the Qualified Bidders and the Company shall be permitted to attend the Auction. Bidding at the Auction shall be conducted in rounds. The highest Qualified Bid at the beginning of the Auction shall constitute the "Opening Bid" for the first round and the highest "Overbid" at the end of each round shall constitute the "Opening Bid" for the following round. In each round, a Qualified Bidder may submit no more than one Overbid. Any Qualified Bidder who bids in a round (including the Qualified Bidder that submitted the Opening Bid for such round) shall be entitled to participate in the next round of bidding at the Auction. For greater certainty, a combination of Portion Bids that do not overlap and which, when totaled, exceed the Minimum Overbid (an "Aggregated Bid") may be determined to be the Opening Bid for any round including the opening round.
 - (b) Company Shall Conduct The Auction. The Company and its advisors shall direct and preside over the Auction. At the start of the Auction, the Company shall provide the terms of the Opening Bid to all participating Qualified Bidders at the Auction. The determination of which Qualified Bid constitutes the Opening Bid for each round shall take into account any factors that the Company reasonably deems relevant to the value of the Qualified Bid, including, among other things, the following: (i) the amount and nature of the consideration; (ii) the proposed assumption of any liabilities; (iii) the ability of the Qualified Bidder to close the proposed transaction; (iv) the proposed closing date and the likelihood, extent and impact of any potential delays in closing; (v) any purchase-price adjustments; (vi) the impact of the contemplated transaction on any actual or potential litigation; (vii) the net economic effect of any changes from the Opening Bid of the previous round, (viii) the net after-tax consideration to be received by the Company; and (ix) such other considerations as the Company deems relevant in its reasonable business judgment (collectively, the "Bid Assessment Criteria"). For greater certainty, the Company may ascribe monetary values to non-monetary terms in Overbids for the purposes of assessing and valuing such Overbids. All Bids made after the Opening Bid shall be Overbids (as defined below), and shall be made and received on an open basis, and all material terms of the highest and best Overbid shall be fully disclosed to all other Qualified Bidders that are

participating in the Auction. The Company shall maintain a record of the Opening Bid and all Overbids made and announced at the Auction, including the Successful Bid and the Alternate Bid (as defined below).

- (c) Terms of Overbids. An "Overbid" is any Bid made at the Auction subsequent to the Company's announcement of the Opening Bid. To submit an Overbid, in any round of the Auction, a Qualified Bidder must comply with the following conditions:
- (i) Minimum Overbid Increment: Any Overbid shall be made in such increments of as the Company may determine in order to facilitate the Auction (the "Minimum Overbid Increment"). The amount of the cash purchase price consideration of any Overbid shall not be less than the cash purchase price consideration of the Opening Bid, plus the Minimum Overbid Increment(s) at that time plus any additional Minimum Overbid Increments.
 - (ii) Remaining terms are the same as for Qualified Bids: Except as modified herein, an Overbid must comply with the conditions for a Qualified set forth in the SISP, provided, however, that the Bid Deadline shall not apply. Any Overbid made by a Qualified Bidder must provide that it remains irrevocable and binding on the Qualified Bidder until [x], 2015. To the extent not previously provided, a Qualified Bidder submitting an Overbid must submit, as part of its Overbid, written evidence (in the form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Company) demonstrating such Qualified Bidder's ability to close the transaction proposed by such Overbid.
 - (iii) Announcing Overbids: At the end of each round of bidding, the Company shall announce the identity of the Qualified Bidder and the material terms of the then highest and/or best Overbid, including the assets proposed to be acquired and the obligations proposed to be assumed, the basis for calculating the total consideration offered in such Overbid, and the resulting benefit to the Company based on, among other things, the Bid Assessment Criteria. For greater certainty, an Aggregated Bid may be determined to be the highest and/or best Overbid.
 - (iv) Consideration of Overbids: The Company reserves the right, in its reasonable business judgment, to make one or more adjournments in the Auction to, among other things: (A) facilitate discussions between the Company and individual Qualified Bidders; (B) allow individual Qualified Bidders to consider how they wish to proceed; (C) consider and determine

the current highest and/or best Overbid at any given time during the Auction; and, (D) give Qualified Bidders the opportunity to provide the Company with such additional evidence as it may require, in its reasonable business judgment, that the Qualified Bidder has obtained all required internal corporate approvals, has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing Overbid amount. The Company may have clarifying discussions with a Qualified Bidder, and the Company may allow a Qualified Bidder to make technical clarifying changes to its Overbid following such discussions.

- (v) **Portion Bids:** Notwithstanding the forgoing, each Portion Bidder entitled to participate in the Auction shall be entitled to submit an Overbid (in a minimum increment to be determined by the Company) with respect to the Assets it is bidding on without being required to submit an Overbid with respect to all Assets or the applicable Opening Bid; provided that any Aggregated Bid that is an Overbid shall be subject to these Auction procedures as any other Overbid, including that such Aggregated Bid that is an Overbid shall be subject to the Minimum Overbid Increment.
- (vi) **Failure to Bid:** If at the end of any round of bidding a Qualified Bidder (other than a Portion Bidder, or the Qualified Bidder that submitted the then highest and/or best Overbid or Opening Bid, as applicable) fails to submit an Overbid, then such Qualified Bidder shall not be entitled to continue to participate in the next round of the Auction.
- (d) **Additional Procedures.** The Company may adopt rules for the Auction at or prior to the Auction that will better promote the goals of the Auction and that are not inconsistent with any of the provisions of the SISP Procedures provided that no such rules may change the requirement that all material terms of the then highest and/or best Overbid at the end of each round of bidding will be fully disclosed to all other Qualified Bidders.
- (e) **Closing the Auction.** Upon conclusion of the bidding, the Auction shall be closed, and the Company shall, with the assistance of their advisors (i) immediately review the final Overbid of each Qualified Bidder on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the proposed sale, and (ii) identify the Successful Bid and the Alternate Bid and advise the Qualified Bidders participating in the Auction of such determination. One or more Portion Bids can form part of a Successful Bid and Alternate Bid so long as such Portion Bids do not overlap in respect of the Assets sought to be purchased and in such

case, such Portion Bid shall be included in the definition of Successful Bidder or Alternate Bid, as applicable.

- (f) Finalizing Documentation. Promptly following a Bid of a Qualified Bidder being declared the Successful Bid or the Alternate Bid, the Qualified Bidder shall execute and deliver such revised and updated definitive transaction agreements as may be required to reflect and evidence the Successful Bid or Alternate Bid.

- (g) Investment Bid. Notwithstanding any other provision of these SISP Procedures, if a Qualified Bidder submits an investment bid involving a restructuring, refinancing, recapitalization or other form of reorganization of the business and affairs of the Primus Group, or any of the Primus Group, as a going concern, which the Company considers would result in a greater value being received for the benefit of the Primus Group's creditors than the Qualified Bids, then the Company may consider such investment bid a Qualified Bid and allow such Qualified Bidder to participate in the Auction, notwithstanding that such investment bid does not otherwise comply with the terms of these SISP Procedures relating to the Auction. In such case, the Company may adopt appropriate rules to facilitate such Qualified Bidder's participation in the Auction.

SCHEDULE "B"

KEY EMPLOYEE RETENTION PLAN

[PRIMUS LETTERHEAD]

STRICTLY PRIVATE AND CONFIDENTIAL

[Name]

[Address]

[Date]

Dear **[Name]**

As Primus Telecommunications Canada Inc. ("**Primus**") is engaging in a process to consider its strategic options, Primus would like to assure you that your contributions continue to be valued. We truly appreciate your continued hard work and importance to Primus, particularly at this time.

In consideration of your ongoing employment with Primus, Primus is offering you the following payments in addition to your regular salary and existing benefits:

1. **[\$X] (the "Guaranteed Amount") payable as follows:**
 - (a) 50% of the Guaranteed Amount will be paid upon the earlier of December 31, 2015 or the completion of the sale of all or substantially all of Primus's business (the "**Sale Transaction**"); and
 - (b) the remaining 50% of the First Tranche will be payable upon the earlier of March 31, 2016 or the completion of the Sale Transaction.
2. **[\$X] (the "Success Amount") payable on the earlier of March 31, 2016 or the completion of a Sale Transaction.**
3. **[\$X] (the "Discretionary Amount") payable [NTD: different for each person – Michael to advise]; and**

4. **[\$[X] (the "Bonus Amount" payable within [X] days of the completion of the Sale Transaction if the gross proceeds from such Sale Transaction result in the payment in full of the Senior Debt, including all associated interest, costs and fees.)**

The proposal outlined above was approved by the Board of Directors on [X] __, 2015.

In order to receive the amounts described above, (a) you must not have disclosed these arrangements to any person other than your personal representatives and legal advisors (other than any disclosure required by law), and (b) at the time such payments would be payable you cannot have (i) resigned or notified the Company of your resignation, (ii) been terminated or notified of termination, for any reason, with or without cause; or (iii) have failed to perform your duties and responsibilities diligently, faithfully and honestly.

Sincerely,

Michael Nowlan
Chief Executive Officer
Primus Telecommunications Canada Inc.

	Weekly Actual	Weekly Actual	Weekly Forecast	Weekly Forecast	Weekly Forecast	Weekly Forecast	Weekly Forecast	Weekly Forecast	Weekly Forecast	Weekly Forecast
	26/07/2015	01/08/2015	07/08/2015	14/08/2015	21/08/2015	28/08/2015	04/09/2015	11/09/2015	18/09/2015	25/09/2015
CANADA TELECOM										
Receipts total (in CAD \$)	2,732,943	3,061,542	2,469,132	2,494,548	4,423,502	3,174,204	3,181,469	2,390,069	3,181,507	3,181,507
Disbursements										
Canada CAD										
Payroll	-7,231	-1,121,510	-7,317	-1,198,987	-7,337	-1,137,734	0	-1,137,734	0	-1,137,734
Network - Allstream	-85,987	-256,929	-289,361	-9,115	-79,545	-951,893	-829,026	-8,000	-125,000	-16,000
Network - Bell	-242,131	-971,161	-1,313,435	-2,011,640	-845,873	-1,251,740	-1,040,150	-2,333,112	-770,000	-595,000
Network - Telus	-183,860	-48,112	-5,484	-27,930	-137,247	-178,523	-30,000	-10,000	39,000	0
Network - Other	-76,837	-382,600	-73,289	-76,175	-80,484	-75,000	-80,000	-325,000	-100,000	-100,000
Government and rents	-7,307	-422,563	-396,157	-62	-31,358	0	-863,419	0	-11,000	0
Trade & misc	-414,385	-278,480	-217,619	-182,439	-669,278	-873,147	-274,419	-387,455	-489,050	-412,803
Debt Interest & Principal	0	-279,518	-12,855	0	0	-50,000	-283,845	0	0	0
Canada USD										
USD Network - Bell	0	0	0	-32,328	0	0	0	-40,000	0	0
USD Network - other	-9,114	-37,801	-208,480	-257,042	-278	-100,581	0	-345,000	-95,000	-97,500
USD Other	-66,763	-23,300	478	-5,194	-2,184	-345,951	-15,000	-40,000	-40,524	-40,000
Disbursements total (in CAD \$)	-1,113,836	-3,838,066	-2,578,787	-3,849,200	-1,654,321	-4,505,750	-3,360,282	-4,846,761	-1,671,743	-2,550,188
Net Cash flow	1,619,107	-776,544	-110,665	-1,354,653	2,769,180	-1,331,545	-188,813	-2,456,892	1,508,754	629,662
Operating Balance (CAD \$)	2,307,590	3,925,696	3,150,153	3,039,822	1,695,169	4,454,282	3,122,737	2,924,331	467,639	1,977,403
Closing Balance (CAD \$)	3,926,696	3,150,153	3,039,488	1,695,169	4,454,350	3,122,737	2,923,824	467,639	1,977,403	2,607,065
<i>Note: Opening balance will vary slightly from previous week's closing balance due to exchange rate: 539,850, 1,145,220</i>										
US RETAIL										
Receipts	207,913	488,578	323,251	220,836	381,516	447,000	225,000	180,000	360,000	225,000
Disbursements	-127,625	-395,956	-461,589	-442,321	-281,774	-379,227	-474,185	-148,000	-200,000	-110,000
Net Cash Flow	80,288	192,623	-138,338	-221,385	69,744	67,773	-249,185	32,000	160,000	318,000
Operating Balance (USD)	395,888	476,276	628,839	470,561	249,175	338,918	406,632	157,507	189,507	369,507
Closing Balance (USD)	476,276	628,839	470,561	249,175	338,918	406,632	157,507	189,507	369,507	51,507
COMBINED (CAD \$)	4,528,114	3,946,615	3,654,676	2,009,047	4,864,878	3,648,362	3,127,880	714,225	2,458,208	2,674,086
<i>Note: Disbursements forecasts before changes made to modify timing of disbursements to better align: 1,726,463, 282,594</i>										

PT Holdco Inc.
Consolidated Balance Sheet
(000's)

	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
ASSETS															
CURRENT															
Cash and cash equivalents	5,465	5,040	4,137	3,652	3,448	4,014	3,336	4,602	3,955	2,974	3,398	4,165	3,025	3,713	2,659
Accounts receivable	11,709	12,030	13,368	11,923	12,563	12,563	11,746	12,124	11,921	11,740	11,821	11,579	11,567	11,664	11,626
Prepaid expenses	2,240	2,376	2,027	2,069	1,941	2,213	2,168	2,441	2,076	2,041	2,043	1,974	1,970	2,029	1,946
Investment in subsidiaries	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Inventory, deposits and other receivables	1,886	2,045	2,100	1,915	2,214	2,097	1,919	1,873	1,869	1,857	1,859	1,838	1,841	1,894	1,869
Capital assets	21,530	21,453	21,802	18,700	19,527	20,907	18,170	19,524	18,612	18,612	19,111	19,557	19,403	19,488	18,140
Goodwill and other intangibles	30,668	30,939	30,596	30,780	30,312	29,740	29,740	29,740	29,657	28,718	28,454	29,239	27,966	27,844	27,723
Future income taxes	101,039	101,855	101,206	100,573	99,889	99,887	99,529	99,112	98,685	98,278	97,861	97,444	97,027	96,610	96,193
Restricted cash	370	370	370	370	370	370	370	370	370	370	370	370	370	370	370
Deposit held in escrow	1,767	1,771	1,653	1,595	1,537	1,481	1,425	1,369	1,314	1,258	1,202	1,147	1,091	1,036	980
Deferred charges	155,273	156,397	155,678	152,417	151,635	152,429	149,835	150,871	149,060	147,230	146,398	146,757	144,857	145,340	143,406
LIABILITIES															
CURRENT															
Accounts payable	8,058	8,916	8,332	9,652	10,658	11,546	11,114	10,759	10,729	9,272	9,219	9,711	9,308	9,694	9,749
Accrued liabilities	5,079	6,656	7,917	7,303	7,141	7,446	6,300	7,713	5,065	7,046	7,314	7,600	6,681	7,019	5,865
Income taxes payable	(9)	(10)	(10)	(9)	(9)	(9)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Deferred revenue	6,625	6,591	6,454	6,620	6,696	6,617	6,628	6,696	6,416	6,263	6,268	5,990	5,939	6,154	5,815
Future income taxes	8,093	8,249	8,759	8,761	8,789	8,070	8,072	8,922	8,873	8,852	8,870	8,822	8,824	8,889	8,861
Other current liabilities	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500
Current portion of long-term debt	40,347	41,502	42,657	43,812	44,967	46,122	47,277	48,432	49,587	50,742	51,897	53,052	54,207	55,362	56,517
Future income taxes	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564
Long-term debt	51,516	51,740	51,964	49,918	50,371	50,997	50,371	50,833	51,072	51,309	51,500	51,789	52,038	52,290	52,539
Capital Required	58,423	100,206	101,159	103,320	101,468	103,107	101,468	102,980	102,022	100,761	101,260	101,845	98,120	100,397	98,159
SHAREHOLDER'S EQUITY															
Capital stock	57,334	57,334	57,334	57,334	57,334	57,334	57,334	57,334	57,334	57,334	57,334	57,334	57,334	57,334	57,334
Contributed surplus	(913)	(1,749)	(1,749)	(1,749)	(1,749)	(1,749)	(1,749)	(1,749)	(1,749)	(1,749)	(1,749)	(1,749)	(1,749)	(1,749)	(1,749)
Retained earnings (deficit)	(820)	(1,828)	(3,277)	(5,849)	(7,424)	(8,408)	(9,310)	(9,957)	(10,626)	(11,213)	(11,926)	(12,781)	(13,687)	(14,644)	(15,651)
Net income (loss)	1,362	2,398	2,206	2,354	1,819	2,141	2,071	2,071	2,071	2,071	2,071	2,071	2,071	2,071	2,071
Cumulative translation adjustments	58,944	56,162	54,521	52,697	50,197	48,527	46,953	47,711	47,036	46,650	45,738	44,912	45,737	44,962	44,208
Working Capital Change (excluding taxes)	155,373	156,679	155,679	152,417	151,635	152,429	149,835	150,871	149,060	147,230	146,398	146,757	144,857	145,340	143,406
Accounts receivable	(11,709)	(12,030)	(13,368)	(11,923)	(12,563)	(12,563)	(11,746)	(12,124)	(11,921)	(11,740)	(11,821)	(11,579)	(11,567)	(11,664)	(11,626)
Prepaid expenses	(2,240)	(2,376)	(2,027)	(2,069)	(1,941)	(2,213)	(2,168)	(2,441)	(2,076)	(2,041)	(2,043)	(1,974)	(1,970)	(2,029)	(1,946)
Investment in subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inventory, deposits and other receivables	(1,886)	(2,045)	(2,100)	(1,915)	(2,214)	(2,097)	(1,919)	(1,873)	(1,869)	(1,857)	(1,859)	(1,838)	(1,841)	(1,894)	(1,869)
Accounts payable	8,068	8,948	(893)	1,330	995	117	178	46	14	2	(9)	21	(9)	(43)	16
Accrued liabilities	9,079	9,777	9,611	9,313	9,113	8,621	8,621	9,361	8,151	8,265	8,686	8,686	8,686	8,686	8,686
Deferred revenue	6,625	6,591	6,454	6,620	6,696	6,617	6,628	6,696	6,416	6,263	6,268	5,990	5,939	6,154	5,815
Other current liabilities	13,021	938	(512)	3,282	465	580	(776)	558	(698)	(1,264)	151	877	(1,228)	597	(1,144)
Other noncurrent items	13,021	938	(512)	3,282	465	580	(776)	558	(698)	(1,264)	151	877	(1,228)	597	(1,144)
Amount per cash flow stmt															

PT Holdco Inc.
 Consolidated Income Statement
 (per y)

	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
REVENUE	\$ -	\$ 14,601	\$ 14,490	\$ 14,616	\$ 14,171	\$ 14,402	\$ 14,236	\$ 13,897	\$ 14,080	\$ 13,863	\$ 13,840	\$ 13,840	\$ 13,741	\$ 13,628	\$ 13,424	\$ 13,340	\$ 13,084	\$ 13,063	\$ 13,419	\$ 13,203
Cost of sales	-	7,772	7,627	8,092	7,843	7,848	7,963	7,812	7,922	7,808	7,469	7,469	7,465	7,463	7,451	7,403	7,366	7,370	7,414	7,350
GROSS MARGIN	-	6,829	6,870	6,525	6,328	6,554	6,273	6,085	6,158	6,055	6,371	6,371	6,276	6,165	6,173	5,937	5,718	5,713	6,005	5,853
SELLING, GENERAL AND ADMINISTRATIVE	-	2,733	2,520	2,790	2,745	2,655	3,198	2,943	3,176	3,063	3,174	2,820	4,594	4,661	4,794	4,840	4,776	4,828	4,974	4,834
Salaries and benefits	-	868	900	918	1,054	868	1,059	871	1,050	869	709	584	-	-	-	-	-	-	-	-
Sales and marketing	-	364	365	350	365	381	401	378	384	371	376	365	-	-	-	-	-	-	-	-
Occupancy	-	467	546	667	586	940	600	523	580	440	395	404	-	-	-	-	-	-	-	-
Professional fees	-	32	49	47	56	79	39	23	78	37	29	-	-	-	-	-	-	-	-	-
Travel and entertainment	-	698	297	643	642	435	609	600	782	675	744	708	-	-	-	-	-	-	-	-
General and administrative	-	5,281	4,690	5,425	5,423	3,267	5,108	5,282	6,006	5,658	5,427	6,911	4,594	4,891	4,794	4,840	4,776	4,828	4,974	4,834
EBITDA	-	1,548	2,190	1,140	878	1,188	145	457	151	588	1,038	1,266	1,160	1,132	1,137	1,207	1,207	1,189	1,031	1,018
Depreciation and amortization	-	1,337	1,266	1,350	1,255	1,325	1,374	1,330	1,345	1,365	1,213	1,259	1,224	1,217	1,211	1,207	1,189	1,194	1,186	1,183
EARNINGS BEFORE UNDERNOTED	-	212	824	(210)	(418)	(127)	(1,178)	(873)	(1,193)	(796)	(225)	(84)	(84)	(86)	(88)	(119)	(247)	(965)	(159)	(165)
Interest expense, net	-	481	465	569	463	500	776	418	577	479	560	584	585	586	586	574	553	579	559	601
Other expense (income), net	-	8	25	17	9	14	8	190	841	110	314	89	-	-	-	-	-	-	-	-
Foreign exchange loss (gain)	-	67	(43)	7	(24)	(94)	(135)	28	(40)	37	6	169	-	-	-	-	-	-	-	-
Intra-company charges, net	-	563	528	533	434	460	648	575	1,378	626	881	831	588	589	574	553	579	559	601	569
EARNINGS BEFORE TAXES	-	(251)	297	(743)	(633)	(677)	(1,829)	(1,448)	(2,571)	(1,542)	(1,153)	(864)	(842)	(873)	(858)	(719)	(826)	(907)	(755)	(724)
Provision for (recovery of) income taxes	-	13	1	1	0	(47)	-	0	1	3	8	19	-	-	-	-	-	-	-	-
NET INCOME (LOSS) FOR THE PERIOD	-	(265)	296	(744)	(633)	(681)	(1,829)	(1,448)	(2,572)	(1,544)	(1,161)	(883)	(842)	(873)	(858)	(719)	(826)	(907)	(755)	(724)
Revised earnings (GAAP), beginning of period	-	464	119	115	(162)	(1,162)	(1,162)	(5,571)	(5,571)	(5,571)	(5,571)	(5,571)	(5,571)	(5,571)	(5,571)	(5,571)	(5,571)	(5,571)	(5,571)	(5,571)
Revised earnings (GAAP), end of period	-	198	419	(29)	(1,021)	(1,743)	(5,571)	(5,571)	(2,291)	(3,886)	(4,939)	(6,167)	(7,659)	(9,232)	(10,890)	(12,603)	(14,377)	(16,284)	(18,239)	(20,263)

PT Holdco Inc.
Consolidated Statement of Cash Flow
 (in \$)

	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Cash was provided by (used in) the following activities:																				
OPERATIONS																				
Net income (loss) for the period	-	(385)	286	(744)	(803)	(661)	(1,628)	(1,448)	(2,572)	(1,394)	(1,183)	(603)	(642)	(673)	(588)	(712)	(826)	(825)	(755)	(734)
Add (deduct) items and affecting cash:																				
Depreciation and amortization	-	1,337	1,366	1,350	1,285	1,225	1,324	1,330	1,345	1,365	1,313	1,289	1,224	1,217	1,211	1,207	1,189	1,184	1,166	1,183
Amortization of deferred charges	-	54	54	54	54	56	56	56	56	56	56	56	56	56	56	56	56	56	56	56
Loss on other asset disposal	-	-	-	-	-	-	(540)	68	(54)	209	(198)	(185)	-	-	-	-	-	-	-	-
Unrealized FX (G)/impair	-	-	-	-	-	(47)	(1)	0	(6)	0	(0)	(12)	-	-	-	-	-	-	-	-
Income tax provision, net of cash taxes paid	-	13	1	1	0	(47)	(1)	0	3,282	468	590	(76)	928	(899)	(1,254)	151	677	(1,228)	587	(1,114)
Changes in non-cash working capital items	-	-	-	-	-	-	100	(607)	2,036	722	659	(471)	1,578	(289)	(577)	701	1,108	(886)	1,064	(699)
FINANCING																				
Sub Debt Capitalization (Repayment)	-	-	-	-	-	68	222	202	228	221	231	226	238	239	234	244	239	249	252	238
Proceeds (Repayments) on debt	-	-	(2,250)	-	-	265	0	2	(2,250)	2	1	(6)	-	-	-	-	-	-	-	-
Additions to deferred financing charges	-	-	-	-	-	-	0	2	-	2	-	-	-	-	-	-	-	-	-	-
Capital required	-	-	-	-	-	-	22	205	(2,021)	223	232	228	236	239	234	244	238	249	252	238
INVESTING																				
Purchase of capital assets	-	(889)	(827)	(777)	(648)	(651)	(817)	(601)	(1,090)	(559)	(325)	(432)	(547)	(576)	(649)	(532)	(569)	(605)	(646)	(645)
Rescinded cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of intangible and other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in cash and cash equivalents	-	7,620	5,810	2,517	4,808	5,110	6,465	5,040	4,137	3,082	3,448	4,014	3,336	4,602	2,974	3,366	4,165	3,025	3,719	2,898
Cash and cash equivalents, beginning of period	-	5,810	2,517	4,808	5,110	5,065	3,046	4,137	3,062	3,448	4,014	3,336	4,602	2,974	3,366	4,165	3,025	3,719	2,898	-
Cash and cash equivalents, end of period	-	13	1	1	0	(47)	(1)	0	3,282	468	590	(76)	928	(899)	(1,254)	151	677	(1,228)	587	(1,114)

SCHEDULE "D"

EXISTING DEFAULTS

1. Section 9.01(f) of the Credit Agreement due to the failure by the Borrower to pay interest on the Subordinated Debt when due on January 31, 2015.
2. Failure to comply with Section 6.03(a)(i) of the Credit Agreement, being the Total Debt to EBITDA Ratio.
3. Failure to comply with Section 6.03(a)(ii) of the Credit Agreement, being the Senior Debt to EBITDA Ratio.
4. Failure to comply with Section 6.03(a)(iii) of the Credit Agreement, being the Fixed Charge Coverage Ratio.
5. Section 9.01(a) of the Credit Agreement due to the failure by the Borrower to pay the principal payment of \$2,250,000 due from the Borrower on June 30, 2015 pursuant to the Credit Agreement.

SCHEDULE "E"
ANTICIPATED DEFAULTS

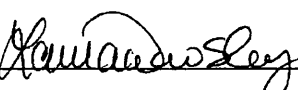
None

EXHIBIT "G"

referred to in the Affidavit of

MICHAEL NOWLAN

Sworn January 18, 2016



Commissioner for Taking Affidavits

Laura Elizabeth Dowsley, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires April 1, 2017.

AMENDING AGREEMENT

THIS AMENDING AGREEMENT (this "Agreement") is made as of October 30, 2015.

BETWEEN:

BANK OF MONTREAL, as administrative agent for and on behalf of the Lenders (as hereafter defined),

(the "Agent")

- and -

Each Lender Party to the Credit Agreement (as defined below),

(the "Lenders")

- and -

PRIMUS TELECOMMUNICATIONS CANADA INC.,

(the "Borrower")

- and -

PT HOLDCO, INC.,

(the "Guarantor")

- and -

PTUS, INC.,

(the "Guarantor")

- and -

PRIMUS TELECOMMUNICATIONS, INC.,

(the "Guarantor")

- and -

- 2 -

LINGO, INC.,
(the "Guarantor")

- and -

PT HOLDCO, INC.,
(the "Guarantor").

RECITALS:

WHEREAS the Borrower, the Agent, the Lenders and the Guarantors are parties to a credit agreement dated as of July 31, 2013 (including an amending agreement dated as of September 23, 2014 and any other amendments to the date hereof, the "Credit Agreement");

AND WHEREAS the Borrower is in default under the Credit Agreement;

AND WHEREAS the Borrower has agreed to pursue a sale and investor solicitation process on a going concern basis as the most viable means of maximizing value for its stakeholders;

AND WHEREAS the Lenders are supportive of the Borrower pursuing such a sale and investor solicitation process;

AND WHEREAS the Parties entered into a Support Agreement dated as of August 31, 2015 (the "Support Agreement");

AND WHEREAS the Parties wish to amend the Support Agreement as provided for herein;

NOW THEREFORE, in consideration of the premises and the covenants and agreements herein contained, the parties agree as follows:

1. **Definitions**

Terms used in this Agreement (including the recitals hereto) and are not otherwise defined herein have the same meanings herein as in the Support Agreement. The term "Support Agreement" includes this Agreement. The term "including" means "including without limitation".

- 3 -

2. **Amendments**

- (a) Section 5(c) and 5(d) of the Support Agreement shall be amended as follows:
 - (c) be in receipt of one or more Bids (as defined in the SISP) on or before November 16, 2015;
 - (d) enter into binding agreement(s) with the Successful Bidder(s) (as defined in the SISP) on or before December 14, 2015; and
- (b) The SISP is amended and restated as provided for in Schedule "A".

3. **Confirmation**

The Support Agreement, as amended by this Agreement, is hereby confirmed and shall continue in full force and effect.

4. **Applicable Law**

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

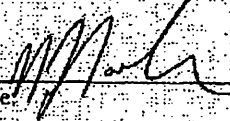
5. **Counterparts**

This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Agreement.

**PRIMUS TELECOMMUNICATIONS
CANADA INC., as Borrower**

by 
Name: _____
Title: _____

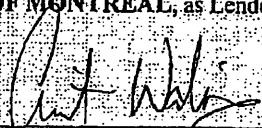
Name: _____
Title: _____

BANK OF MONTREAL, as Agent

by _____
Name: _____
Title: _____

Name: _____
Title: _____

BANK OF MONTREAL, as Lender

by 
Name: _____
Title: **AMIT WALIA
SENIOR MANAGER**

Name: _____
Title: _____

IN WITNESS WHEREOF, the parties have executed this Agreement.

PRIMUS TELECOMMUNICATIONS
CANADA INC. as Borrower

by 
Name: _____
Title: _____

Name: _____
Title: _____

BANK OF MONTREAL, as Agent

by 
Name: _____
Title: Jeanelle MacDonald
Director

Name: _____
Title: _____

BANK OF MONTREAL, as Lender

by _____
Name: _____
Title: _____

Name: _____
Title: _____

- 2 -

HSBC BANK CANADA, as Lender

by

Name: _____

Title: _____

Name: _____

Title: _____

**ALBERTA TREASURY BRANCHES,
as Lender**

by

Name: _____

Title: _____

Name: _____

Title: _____

PT HOLDCO, INC., as Guarantor

by

Name:  _____

Title: _____

Name: _____

Title: _____

-2-

HSBC BANK CANADA, as Lender

by _____
Name:
Title:

Name:
Title:

**ALBERTA TREASURY BRANCHES,
as Lender**

by _____
Name: *BRUCE STANLEY*
Title: *Executive Director*


Name: *MARK WOOD*
Title: *Assistant Manager
ASSET MANAGEMENT*


PT HOLDCO INC. as Guarantor

by _____
Name:
Title:

Name:
Title:

HSBC BANK CANADA, as Lender

by  **JOHN E. FORCH**
 Name: ASSISTANT VICE PRESIDENT
 Title: HSBC BANK CANADA


 Name: **STEPHEN G. WAYLAND**
 Title: ASSISTANT VICE PRESIDENT

ALBERTA TREASURY BRANCHES, as Lender

by _____
 Name: _____
 Title: _____

 Name: _____
 Title: _____

FT HOLDCO, INC., as Guarantor

by  _____
 Name: _____
 Title: _____

 Name: _____
 Title: _____

- 3 -

PTUS, INC., as Guarantor

by 
Name: _____
Title: _____

Name: _____
Title: _____

PRIMUS TELECOMMUNICATIONS, INC., as Guarantor

by 
Name: _____
Title: _____

Name: _____
Title: _____

LINGO, INC., as Guarantor

by 
Name: _____
Title: _____

Name: _____
Title: _____

SALE AND INVESTOR SOLICITATION PROCESS

1. The purpose of the SISP is to identify one or more financiers, purchasers of and/or investors in the Primus Group's Business and/or Property (each as defined herein) with a completion date of a transaction or transactions no later than December 31, 2015.
2. Set forth below are the procedures (the "SISP Procedures") to be followed with respect to the SISP and, if there is a Successful Bid or Successful Bids (as defined herein), to complete the transactions contemplated by such Successful Bid(s).

Defined Terms

3. Capitalized terms used but not otherwise defined in these SISP Procedures shall have the following meaning:

"Company" means Primus Telecommunications Canada Inc.

"Data Room" means an electronic data room compiled and maintained by the Company containing confidential information in respect of the Primus Group, the Business and the Property.

"First Secured Debt" means all of the indebtedness owing pursuant to the Credit Agreement.

"NDA" means a non-disclosure and standstill agreement in form and substance satisfactory to the Company.

"Portion Bid" means a Bid for less than all or substantially all of the Property that is otherwise a Qualified Bid.

"Portion Bidder" means a Qualified Bidder that submits a Portion Bid.

"Primus Group" means the Company together with its subsidiaries and affiliates.

"Sale Advisor" means an investment banker engaged by the Company to assist with the implementation of the SISP.

Solicitation Process

4. The SISP Procedures set forth herein describe the manner in which Interested Parties (as defined in paragraph 6 below) may gain access to or continue to have access to due diligence materials concerning the Primus Group, its business and operations (the "**Business**") and its assets, undertakings and properties (collectively, the "**Property**"), the manner in which a bid becomes a Qualified Bid (as defined herein), the receipt and negotiation of Qualified Bids received, the ultimate selection of Successful Bid(s) and/or Alternate Bids(s) (as defined in Appendix B).
5. The Company shall have overall supervision of the SISP Procedures and shall lead the process with the support and assistance of its advisors.

6. The Company, with the assistance of the Sale Advisor, compiled a listing of prospective financiers, investors and/or purchasers (together with others expressing an interest in the Business and/or Property, the "**Interested Parties**"). The Sale Advisor used its best efforts to contact all Interested Parties to introduce the opportunity for investment in or the acquisition of the Business or Property and provided a "teaser" describing the opportunity to finance, acquire or invest in the Primus Group or to acquire some, all or substantially all of the Business or the Property to each Interested Party that expresses an interest in receiving such teaser.
7. Interested Parties were invited to a management presentation upon execution of an NDA.
8. At the discretion of the Company, any Interested Parties that have executed an NDA and provided a non-binding letter of intent will be provided with a form of definitive purchase agreement (the "**Template Purchase Agreement**") to be used in submitting a Bid for the acquisition for some or all of the Property and provided access to the Data Room.

Due Diligence From Qualified Bidders

9. Each Qualified Bidder shall comply with all reasonable requests for additional information by the Company regarding such Qualified Bidder and its contemplated transaction. Failure by a Qualified Bidder to comply with requests for additional information will be a basis for the Company to disqualify the Qualified Bidder.

Deadlines

Bid Deadline

10. A Qualified Bidder, if it wishes to submit a binding offer, must deliver an original executed copy of a comprehensive, final and binding proposal (a "**Bid**") to the Company at the address specified in Appendix A hereto (including by email) so as to be received by the Company by not later than 12:00 p.m. (Eastern Time) on November 16, 2015, or such other later date or time as may be set by the Company (the "**Bid Deadline**").

Participant Requirements

11. To participate in the process detailed by these SISP Procedures and to otherwise be considered for any purpose hereunder, an Interested Party must submit a Bid and each bidder submitting a Bid (a "**Qualified Bidder**") must be determined by the Company to have satisfactorily provided the Company with each of the following on or before the Bid Deadline (collectively, the "**Participant Requirements**"):
 - (a) Execution of the Bid by the Qualified Bidder's chief executive officer or other appropriate senior executive or evidence that such officer has approved the Bid; provided, however, that, if the Qualified Bidder is an entity specially formed for the purpose of effectuating the contemplated transaction, then the Qualified Bidder must furnish written evidence reasonably acceptable to the Company of the approval of the Bid by the equity holder(s) of such Qualified Bidder and any guarantor of the bid; and

- (b) An executed NDA.
- (c) A letter stating that the Bid is irrevocable until the later of (i) the selection of the Successful Bidder (as defined herein) and (ii) thirty (30) calendar days following the Bid Deadline, provided that if such bidder is selected as the Successful Bidder or the Alternate Bidder (as defined in Appendix B), its Bid shall remain irrevocable until the closing of the sale to the Successful Bidder or to the Alternate Bid Expiration Date (as defined below), as applicable;
- (d) It includes:
 - (i) in the case of a Bid to purchase the Business or any or all of the Property, a duly authorized and executed definitive purchase agreement substantially in the form of the Template Purchase Agreement containing the detailed terms and conditions of the proposed transaction, including identification of the Business or the Property proposed to be acquired, the purchase price for the Business or Property proposed to be acquired (the "**Purchase Price**"), the detailed structure and financing of the proposed transaction, together with a red line comparing the purchase agreement submitted to the Template Purchase Agreement; or
 - (ii) in the case of an offer to make an investment in the Primus Group, a duly authorized and executed term sheet describing the detailed terms and conditions of the proposed transaction, including details regarding the proposed equity and debt structure of the Primus Group following completion of the proposed transaction, the direct or indirect investment target and the aggregate amount of equity and debt investment (including the sources of such capital, the underlying assumptions regarding the *pro forma* capital structure, as well as anticipated tranches of debt, debt service fees, interest and amortization) to be made in the Primus Group, the treatment of the First Secured Debt (including what portion of the First Secured Debt will be paid on closing) and the debt, equity, or other securities, if any, proposed to be allocated to other creditors of the Primus Group;
- (e) It includes written evidence upon which the Company may reasonably conclude that the Qualified Bidder has the necessary financial ability to close the contemplated transaction and provide adequate assurance of future performance of all obligations to be assumed in such contemplated transaction. Such information should include, among other things, the following:
 - (iii) evidence of the Qualified Bidder's internal resources and proof of any debt or equity funding commitments that are needed to close the contemplated transaction;
 - (iv) contact names and numbers for verification of financing sources; and

- (v) any such other form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Company demonstrating that such Qualified Bidder has the ability to close the contemplated transaction;
- (f) It indicates whether regulatory approval is anticipated to be required;
- (g) It is not conditioned on (i) the outcome of unperformed due diligence and/or (ii) obtaining financing;
- (h) It fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the bid, including whether any prior or current member of the Company's board, management, any employee or consultant to the Company or any creditor (including any of the Lenders) or shareholder of the Company is involved in any way with the bid or assisted with the bid, and the complete terms of any such participation as well as evidence of corporate authority to sponsor or participate in the bid;
- (i) It includes an acknowledgement and representation that the Qualified Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property to be acquired and liabilities to be assumed in making its bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Property to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly provided in a definitive agreement;
- (j) It includes evidence, in form and substance reasonably satisfactory to the Company, 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 contemplated by the bid, and identifies any anticipated shareholder, regulatory or other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;
- (k) It does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment;
- (l) It is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a bank account specified by the Company), or such other form acceptable to the Company, payable to the order of the Company, in trust, (i) if the total consideration is quantifiable, in an amount equal to 5% of the cash consideration of the Bid which Deposit shall be held and dealt with in accordance with these SISP Procedures;
- (m) It contains such other information as may reasonably be requested by the Company; and

- (n) It is received by the Bid Deadline.
12. The Company may waive any one or more minor or immaterial violations of the requirements specified for Qualified Bids and deem such non-compliant bids to be Qualified Bids.

Evaluation of Qualified Bids and Subsequent Actions

13. The Company shall evaluate Qualified Bids on various grounds including, but not limited to, the purchase price or imputed value, the treatment of creditors and related implied recovery for creditors (in each case, as applicable) and any delay or other risks (including closing risks) in connection with the Qualified Bids. Following that evaluation, the Company may:
- (a) Accept one (or more than one, if for distinct and compatible transactions) of the Qualified Bids (each a "**Successful Bid**" and the offeror(s) making such Successful Bid being a "**Successful Bidder**") and take such steps as may be necessary to finalize definitive transaction documents for the Successful Bid(s) with Successful Bidder(s);
 - (b) Continue negotiations with selected Qualified Bidders (collectively, the "**Selected Bidders**") with a view to finalizing acceptable terms with one (or more than one, if for distinct and compatible transactions) of the Qualified Bidders; or
 - (c) Pursue an auction in accordance with the procedures set out in the attached Appendix B (an "**Auction**") if more than one Qualified Bid for the same Property or aspects of the Business has been received or if the Company otherwise determines that an Auction is appropriate under the circumstances.
14. The Company shall be under no obligation to accept the highest or best offer or any offer or to pursue or hold an Auction or to select any Successful Bidder(s) and any Alternate Bidder(s).
15. If a Successful Bidder fails to consummate a transaction related to the Property or portion thereof for any reason, then the Alternate Bid will be deemed to be the Successful Bid for the Property or portion thereof and the Company will proceed with the transaction pursuant to the terms of the Alternate Bid. Alternate Bids shall remain open for acceptance until the completion of the transaction(s) with the Successful Bidder(s) (the "**Alternate Bid Expiration Date**").
16. All Qualified Bids (other than the Successful Bid(s) and the Alternate Bid(s)) shall be deemed rejected by the Company on and as of the date of the execution of definitive documents with respect to the transactions contemplated by the Successful Bid(s) by the Company.
17. If no Qualified Bids are received by the Bid Deadline or if no Qualified Bid(s) are accepted or if no Successful Bidder(s) have been selected or no Auction has been pursued by the Company by December 14, 2015, the SISP shall automatically terminate. If no

transaction has been successfully consummated with the Successful Bidder by December 31, 2015, the SISP shall automatically terminate.

Deposits

18. All Deposits shall be held in a single account designated solely for such purpose. A Deposit paid by a Successful Bidder shall be dealt with in accordance with the definitive documents for the transactions contemplated by the Successful Bid. Deposits paid by Qualified Bidders not selected as either a Successful Bidder or an Alternate Bidder shall be returned to such Qualified Bidders within three (3) Business Days of the date upon which definitive documents in respect of a Successful Bid are executed by the Company. In the case of an Alternate Bid, the Deposit shall be retained until the Alternate Bid Expiration Date and returned to the Alternate Bidder within three (3) Business Days thereafter or, if an Alternate Bid becomes a Successful Bid, shall be dealt with in accordance with the definitive documents for the Alternate Bid.

"As Is, Where Is"

19. Any sale of the Business and/or Property or any investment in the Primus Group will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Primus Group or its advisors or any of their agents or estates, except to the extent otherwise provided under any definitive sale or investment agreement with a Successful Bidder executed by the Company. Neither the Company nor its advisors or any of their agents or estates makes any representation or warranty as to the information contained in the teaser, the management presentation or in the Data Room, except to the extent otherwise provided under any definitive sale or investment agreement with a Successful Bidder executed by the Company. Each Qualified Bidder is deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Business and Property prior to making its offer, that it has relied solely on its own independent review, investigation, and/or inspection of any documents and/or the Business and Property in making its Bid, and that it did not rely on any written or oral statements, representations, promises, warranties, conditions or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Business and Property, or the completeness of any information provided in connection therewith or the Auction.

No Obligation to Conclude a Sale

20. The Company shall have no obligation to agree to conclude a sale or investment arising out of the SISP, and reserves the right and unfettered discretion to reject any offer or other proposal made in connection with the SISP. In addition, the Company may at any time terminate these SISP Procedures, and shall provide notice of any such termination to any Qualified Bidders.

Information

21. Notwithstanding anything else in these SISP Procedures, to the extent that any director, officer or employee of, or any consultant to, the Company or any of its subsidiaries, or any

entity controlled by such person, either individually or jointly with another Interested Party, submits a Bid, participates at the Auction as a bidder, or is directly or indirectly involved with or assisting any Interested Party that is contemplating submitting a Bid, submits a Bid, is deemed a Qualified Bidder, or participates at the Auction as a bidder, such person shall no longer from the first applicable point forward (i) be included in any discussions or deliberations in connection with these SISP Procedures, including any decision making of the Company in respect of any matter on which the Company's consent is required or (ii) receive any information under these SISP Procedures.

Communications

22. All Interested Parties and any bidders shall direct all communications or discussions with respect to these SISP Procedures, including but not limited to, any requests for information about the Company and the Property or Business or with respect to the terms or conditions of any proposed or actual bid, or the status of any such bids, directly to the Sale Advisor.

Modifications and Reservations

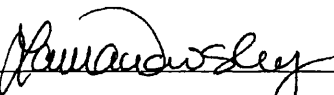
23. The Company reserves the right to amend or modify these SISP Procedures.
24. These SISP Procedures do not, and will not be interpreted to, create any contractual or other legal relationship between the Company or its advisors and any Qualified Bidder, other than, with respect to the Company, as specifically set forth in a definitive agreement executed by the Company.

EXHIBIT "H"

referred to in the Affidavit of

MICHAEL NOWLAN

Sworn January 18, 2016



Commissioner for Taking Affidavits

Laura Elizabeth Dowsley, a Commissioner, ~~etc.~~
Province of Ontario, while a Student-at-Law.
Expires April 1, 2017.

SECOND AMENDING AGREEMENT TO SUPPORT AGREEMENT

THIS SECOND AMENDING AGREEMENT TO SUPPORT AGREEMENT
(this "Agreement") is made as of January 18, 2016.

BETWEEN:

**BANK OF MONTREAL, as administrative
agent for and on behalf of the Lenders (as
hereafter defined),**

(the "Agent")

- and -

**Each Lender Party to the Credit Agreement
(as defined below),**

(the "Lenders")

- and -

**PRIMUS TELECOMMUNICATIONS
CANADA INC.,**

(the "Borrower")

- and -

PT HOLDCO, INC.,

(the "Guarantor")

- and -

PTUS, INC.,

(the "Guarantor")

- and -

PRIMUS TELECOMMUNICATIONS, INC.,

(the "Guarantor")

- and -

- 2 -

LINGO, INC.,
(the "Guarantor")

- and -

PT HOLDCO, INC.,
(the "Guarantor").

RECITALS:

WHEREAS the Borrower, the Agent, the Lenders and the Guarantors are parties to a credit agreement dated as of July 31, 2013 (including an amending agreement dated as of September 23, 2014 and any other amendments to the date hereof, the "**Credit Agreement**");

AND WHEREAS the Borrower is in default under the Credit Agreement;

AND WHEREAS the Borrower has agreed to pursue a sale and investor solicitation process on a going concern basis as the most viable means of maximizing value for its stakeholders;

AND WHEREAS the Lenders are supportive of the Borrower pursuing such a sale and investor solicitation process;

AND WHEREAS the Parties entered into a Support Agreement dated as of August 31, 2015, as amended by an Amending Agreement dated as of October 30, 2015 (the "**Support Agreement**");

AND WHEREAS the Parties wish to make certain amendments to the Support Agreement as provided for herein;

NOW THEREFORE, in consideration of the premises and the covenants and agreements herein contained, the parties agree as follows:

1. **Definitions**

Terms used in this Agreement (including the recitals hereto) and are not otherwise defined herein have the same meanings herein as in the Support Agreement. The term "Support Agreement" includes this Agreement. The term "including" means "including without limitation".

2. **Amendments**

(a) Section 5(c), 5(d) and 5(e) of the Support Agreement shall be amended as follows:

- 3 -

- (c) be in receipt of one or more Bids (as defined in the SISP) on or before December 23, 2015;
 - (d) enter into binding agreement(s) with the Successful Bidder(s) (as defined in the SISP) on or before January 19, 2016;
 - (e) close all agreement(s) and transactions with the Successful Bidder(s) (as defined in the SISP) on or before February 29, 2016;
- (b) Section 8(i) shall be amended as follows:
- (i) if a Transaction has not been completed by February 29, 2016, or such later date as may be agreed to by the Agent and the Borrower (the "**Outside Date**").

3. **Confirmation**

The Support Agreement, as amended by this Agreement, is hereby confirmed and shall continue in full force and effect.

4. **Applicable Law**

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

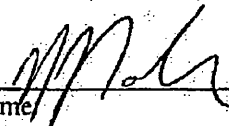
5. **Counterparts**

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[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Agreement.

**PRIMUS TELECOMMUNICATIONS
CANADA INC., as Borrower**

by 
Name:
Title:

Name:
Title:

BANK OF MONTREAL, as Agent

by _____
Name:
Title:

Name:
Title:

BANK OF MONTREAL, as Lender

by _____
Name:
Title:

Name:
Title:

- 2 -

HSBC BANK CANADA, as Lender

by

Name:
Title:

Name:
Title:

**ALBERTA TREASURY BRANCHES,
as Lender**

by

Name:
Title:

Name:
Title:

PT HOLDCO, INC., as Guarantor

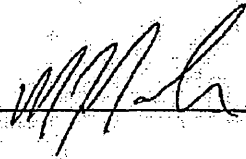
by

Name:
Title:

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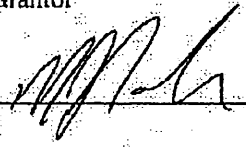
- 3 -

PTUS, INC., as Guarantor

by 
Name: _____
Title: _____

Name: _____
Title: _____

PRIMUS TELECOMMUNICATIONS, INC., as Guarantor

by 
Name: _____
Title: _____

Name: _____
Title: _____

LINGO, INC., as Guarantor

by 
Name: _____
Title: _____

Name: _____
Title: _____

IN WITNESS WHEREOF, the parties have executed this Agreement.

**PRIMUS TELECOMMUNICATIONS
CANADA INC., as Borrower**

by _____
Name:
Title:

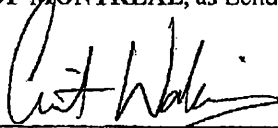
Name:
Title:

BANK OF MONTREAL, as Agent

by _____
Name:
Title:

Name:
Title:

BANK OF MONTREAL, as Lender

by  _____
Name: **AMIT WALIA**
Title: **SENIOR MANAGER**

Name:
Title:

IN WITNESS WHEREOF, the parties have executed this Agreement.

**PRIMUS TELECOMMUNICATIONS
CANADA INC., as Borrower**

by _____
Name:
Title:

Name:
Title:

BANK OF MONTREAL, as Agent

by J MacDonal
Name: Jeanette MacDonald
Title: Director

Name:
Title:

BANK OF MONTREAL, as Lender

by _____
Name:
Title:

Name:
Title:

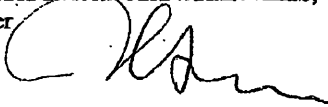
- 2 -

HSBC BANK CANADA, as Lender

by _____
Name:
Title:

Name:
Title:

**ALBERTA TREASURY BRANCHES,
as Lender**

by 
Name: BRUCE STANG
Title: DIRECTOR - ASSET MANAGEMENT


Name: Mark Blehop
Title: Account Manager
ASSET MANAGEMENT

PT HOLDCO, INC., as Guarantor

by _____
Name:
Title:

Name:
Title: