

Court File No. __

**PT HOLDCO, INC.,
PRIMUS TELECOMMUNICATIONS CANADA, INC.,
PTUS, INC.,
PRIMUS TELECOMMUNICATIONS, INC., and
LINGO, INC.**

PRE-FILING REPORT OF THE PROPOSED MONITOR

January 18, 2016

**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.

**PRE-FILING REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS PROPOSED MONITOR**

INTRODUCTION

1. FTI Consulting Canada Inc. ("**FTI Consulting**" or the "**Proposed Monitor**") has been informed that PT Holdco, Inc. ("**PT Holdco**"), Primus Telecommunications Canada, Inc. ("**PT Canada**"), PTUS, Inc. ("**PTUS**"), Primus Telecommunications, Inc. ("**PTI**"), and Lingo, Inc. ("**Lingo**" and together with PT Holdco, PT Canada, PTUS and PTI, the "**Applicants**") intend to make an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an initial order (the "**Proposed Initial Order**") granting, *inter alia*, a stay of proceedings against the Applicants until February 18, 2016, (the "**Stay Period**") and appointing FTI Consulting as monitor (the "**Monitor**"). The proceedings to be commenced by the Applicants under the CCAA will be referred to herein as the "**CCAA Proceedings**".
2. The purpose of this Report is to inform the Court on the following:

- (a) The qualifications of FTI Consulting to act as Monitor and an overview of the involvement of FTI Consulting and its affiliates with the Applicants to date;
- (b) The state of the business and affairs of the Applicants and the causes of their financial difficulty and insolvency;
- (c) Employee retention agreements entered into by the Applicants in August and September 2015;
- (d) The status of the independent opinions being prepared by counsel to the Proposed Monitor (collectively, the “**Security Opinion**”) on the validity and enforceability of the various security (the “**Syndicate Security**”) held by Bank of Montreal as administrative agent (the “**Agent**”) for Bank of Montreal, HSBC Bank Canada and ATB Corporate Financial Service (collectively, the “**Syndicate**”);
- (e) The Applicants’ weekly cash flow forecast to February 19, 2016 (the “**January 18 Forecast**”);
- (f) The Applicants’ request for approval of a charge in the amount of \$3.1 million (the “**D&O Charge**”) securing the indemnification by the Applicants of their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the CCAA Proceedings, except to the extent that, with respect to any individual, the obligation or liability was incurred as a result of the individual’s gross negligence or wilful misconduct and the Proposed Monitor’s recommendation thereon; and

- (g) The Applicants' request for approval of a charge in the amount of \$1 million (the "**Administration Charge**") securing the fees and expenses of the Monitor, the Monitor's Canadian and US counsel (collectively, the "**Monitor's Counsel**") and the Applicants' Canadian and US counsel (collectively, the "**Applicants' Counsel**") and the Proposed Monitor's recommendation thereon.

TERMS OF REFERENCE

- 3. In preparing this report, the Proposed Monitor has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by the Applicants and discussions with various parties, including senior management ("**Management**") of the Applicants (collectively, the "**Information**").
- 4. Except as described in this Report:
 - (a) The Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook;
 - (b) The Proposed Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
- 5. Future oriented financial information reported or relied on in preparing this report is based on Management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

6. The Proposed Monitor has prepared this Report in connection with the application for the Proposed Initial Order to be filed by the Applicants (the “**Initial Application**”). The Report should not be relied on for other purposes.
7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
8. Capitalized terms not otherwise defined herein have the meanings defined in the affidavit of Mr. Michael Nowlan sworn January 18, 2016 filed in support of the Initial Application (the “**Nowlan January 18 Affidavit**”).

EXECUTIVE SUMMARY

9. The Proposed Monitor is of the view that:
 - (a) Granting the relief requested in the Proposed Initial Order will provide the Applicants with the best opportunity to preserve value and maximize recoveries for stakeholders;
 - (b) The quantum of the proposed D&O Charge is reasonable in relation to the quantum of the estimated potential liability;
 - (c) The quantum of the proposed Administration Charge is reasonable in the circumstances; and
 - (d) The relief requested by the Applicants, including the granting of the D&O Charge and the Administration Charge, is necessary, reasonable and justified.
10. Accordingly, the Proposed Monitor respectfully recommends that the Applicants’ request for the Proposed Initial Order be granted by this Honourable Court.

FTI CONSULTING AND ITS AFFILIATES

QUALIFICATIONS TO ACT

11. FTI Consulting is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act, R.S.C. 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. FTI Consulting has provided its consent to act as Monitor.
12. As set out in greater detail below, FTI Consulting has been acting as financial advisor to the Applicants and is familiar with the business and operations of the Applicants, their personnel, the key issues and the key stakeholders in these CCAA Proceedings. The senior FTI Consulting personnel with carriage of this matter are experienced Chartered Insolvency and Restructuring Professionals and licensed Trustees in Bankruptcy, who have acted in restructurings and CCAA matters in Ontario and other provinces of Canada and as authorized “foreign representatives” in the United States.

INVOLVEMENT TO DATE OF FTI CONSULTING AND ITS AFFILIATES

13. FTI Consulting was engaged as financial advisor to the Applicants pursuant to an engagement letter executed November 10, 2014, although prior to April 2015, FTI Consulting’s role as financial advisor was very limited, with only 4.5 hours of time was expended prior to that time. FTI Consulting became active in providing assistance and advice to the Applicants in April 2015.
14. The Telecom, Media and Technology practice of FTI Consulting Inc., a US affiliate of FTI Consulting, was engaged by the Applicants on February 18, 2015, to review and analyse the Applicants business plan. That engagement was completed by mid-May of 2015.

15. As described in the Nowlan January 18 Affidavit, the Applicants engaged Origin Merchant Partners (“**Origin**”) as its investment banker and sale advisor on August 7, 2015, following a thorough selection process. Origin is not affiliated with FTI Consulting.
16. Also as described in the Nowlan January 18 Affidavit, the Applicants undertook an extensive sales and investor solicitation process (the “**SISP**”), carried out by Origin. The SISP has culminated in the execution of an agreement of purchase and sale dated January 18, 2016 (the “**Birch APA**”) between the Applicants and Birch Telecommunications, Inc. (“**Birch**”) pursuant to which, if the Proposed Initial Order is granted and the Birch APA is subsequently approved by the Court, Birch will acquire the business and assets of the Applicants.
17. FTI Consulting’s involvement in the SISP was limited to activities that would have been undertaken by the monitor in a CCAA proceeding had the SISP been run by an investment banker during such CCAA proceeding, such as providing input and advice as to the design and development of the SISP, providing oversight to ensure fairness and transparency, reviewing proposals and assisting in efforts to maximize value and minimize closing risk.
18. If the Proposed Initial Order is granted and the Proposed Monitor is appointed as Monitor, a detailed report on the SISP and the Birch APA will be provided by the Monitor in conjunction with the Applicants’ motion for approval of the Birch APA.

THE APPLICANTS’ BUSINESS & AFFAIRS AND CAUSES OF INSOLVENCY

19. The business and affairs of the Applicants and the causes of their insolvency are described in the Nowlan January 18 Affidavit. The Proposed Monitor has reviewed the Nowlan January 18 Affidavit and discussed the business and affairs of the Applicants and the causes of their insolvency with Management and is of the view that the Nowlan January 18 Affidavit provides a fair summary thereof.

EMPLOYEE RETENTION AGREEMENTS

20. As described in the Initial Application, the Applicants entered into retention agreements with a small number of employees in August and September 2015 (the “**Retention Agreements**”). Pursuant to the terms of the retention agreements, amounts are payable on the earlier of March 31, 2016, and the sale of all or substantially all of the Applicants’ business provided that the employee does not resign, their job performance is satisfactory and they are not terminated for cause. The Syndicate consented to the Applicants entering into retention arrangements.
21. The Proposed Monitor has reviewed the Retention Agreements and is satisfied that the amounts payable are reasonable in the circumstances.
22. To protect confidentiality, the Retention Agreements have not been attached to this Report.

THE SECURITY OPINION

23. Counsel to the Proposed Monitor is in the process of completing a review of the Syndicate Security and expects to be in a position to deliver the Security Opinion to the Proposed Monitor shortly. If appointed as Monitor, the Proposed Monitor will report on the Security Opinion in due course.

THE JANUARY 18 FORECAST

24. The January 18 Forecast, together with Management’s report on the cash-flow statement as required by section 10(2)(b) of the CCAA, is attached hereto as **Appendix A**. The January 18 Forecast shows a net cash inflow of approximately \$4.6 million in the period to February 19, 2016, and is summarized below:

	\$000
Receipts	16,603
Disbursements:	
Payroll & Employee Benefits	(2,425)
Network & Carrier Charges	(3,506)
Other Operating Disbursements	(4,933)
Operating Cash Flows	5,739
Restructuring Professional Fees	(1,166)
Projected Net Cash Flow	4,573
Beginning Cash Balance	2,334
Projected Net Cash Flow	4,573
Ending Cash Balance	6,907

25. Section 23(1)(b) of the CCAA states that the Monitor shall:

“review the company’s cash-flow statement as to its reasonableness and file a report with the court on the monitor’s findings;”

26. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Proposed Monitor hereby reports as follows:

- (a) The January 18 Forecast has been prepared by Management of the Applicants for the purpose described in Note 1, using the Probable Assumptions and the Hypothetical Assumptions set out in Notes 2 to 7 thereof;

- (b) The Proposed Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of Management and employees of the Applicants. Since Hypothetical Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the January 18 Forecast. The Proposed Monitor has also reviewed the support provided by Management of the Applicants for the Probable Assumptions, and the preparation and presentation of the January 18 Forecast;
- (c) Based on its review, nothing has come to the attention of the Proposed Monitor that causes it to believe that, in all material respects:
 - (i) The Hypothetical Assumptions are not consistent with the purpose of the January 18 Forecast;
 - (ii) As at the date of this report, the Probable Assumptions developed by Management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the January 18 Forecast, given the Hypothetical Assumptions; or
 - (iii) The January 18 Forecast does not reflect the Probable and Hypothetical Assumptions;

- (d) Since the January 18 Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the January 18 Forecast will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Proposed Monitor in preparing this Report; and
- (e) The January 18 Forecast has been prepared solely for the purpose described in Note 1 on the face of the January 18 Forecast and readers are cautioned that it may not be appropriate for other purposes. .

THE PROPOSED D&O CHARGE

- 27. The Applicants are seeking the granting of the D&O Charge in the amount of \$3.1 million with priority over all claims against the property of the Applicants other than:
 - (a) The Administration Charge; and
 - (b) Any person who is a “secured creditor” as defined in the CCAA that has not been served with notice of the Initial Application.
- 28. The beneficiaries of the D&O Charge, if granted, would be the directors and officers the Applicants. It is the Proposed Monitor’s view that the continued support and service of the directors and officers during the CCAA Proceedings would be beneficial to the Applicants’ efforts to preserve value and maximize recoveries for stakeholders through completion of the Birch APA. The Proposed Monitor has been informed that the directors and officers will not continue to serve unless the D&O Charge is granted.

29. The Proposed Monitor has reviewed the underlying calculations upon which the Applicants have based the estimate of the potential liability in respect of directors' statutory obligations and is of the view that the D&O Charge is reasonable in relation to the quantum of the estimated potential liability and appropriate in the circumstances. A chart summarizing the basis of the estimate is attached hereto as **Appendix B**.
30. As described in the Nowlan January 18 Affidavit, the Applicants maintain certain insurance coverage for the directors and officers, but the deductibles and exclusions from the policies mean that the insurance may not fully cover the potential statutory liabilities of the directors and officers of the Applicants.
31. The Proposed Monitor notes that the directors and officers will only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any existing insurance policy, or to the extent that such coverage is insufficient to pay amounts for which the directors and officers are entitled to be indemnified pursuant to the provisions of the Proposed Initial Order.
32. Accordingly, the Proposed Monitor respectfully recommends that the Applicants request for the D&O Charge be granted by this Court.

THE ADMINISTRATION CHARGE

33. The Applicants are seeking the granting of an Administration Charge in the amount of \$1 million with priority over all claims against the property of the Applicants other than any person who is a "secured creditor" as defined in the CCAA that has not been served with notice of the Initial Application.

34. The beneficiaries of the Administration Charge, if granted, would be the Monitor, the Monitor's Counsel and the Applicants' Counsel. The Proposed Monitor believes that it is appropriate that the proposed beneficiaries of the Administration Charge be afforded the benefit of a charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.
35. The Proposed Monitor has reviewed the underlying assumptions upon which the Applicants have based the quantum of the proposed Administration Charge, the complexities of the CCAA Proceedings and the services to be provided by the beneficiaries of the Administration Charge and is of the view that the proposed quantum of the Administration Charge is reasonable and appropriate in the circumstances.
36. Accordingly, the Proposed Monitor respectfully recommends that the Applicants' request for the Administration Charge be granted by this Court.

The Proposed Monitor respectfully submits to the Court this, its Pre-Filing Report.

Dated this 18th day of January, 2016.

FTI Consulting Canada Inc.
In its capacity as Proposed Monitor of
PT Holdco, Inc., Primus Telecommunications Canada, Inc.,
PTUS, Inc., Primus Telecommunications, Inc., and Lingo, Inc.



Nigel D. Meakin
Senior Managing Director

Steve Bissell
Managing Director

Appendix A

The January 18 Forecast

Primus Entities' Cash Flow Forecast

Amounts in CAD in thousands

Week Ending Friday	22-Jan-16	29-Jan-16	5-Feb-16	12-Feb-16	19-Feb-16	
Forecast Week	1	2	3	4	5	Total
Cash Flow from Operations						
Receipts	3,363	3,388	3,201	3,459	3,192	16,603
Payroll & Employee Benefits	(73)	(1,072)	(73)	(1,134)	(73)	(2,425)
Network / Carrier Charges	(49)	(1,069)	(553)	(854)	(981)	(3,506)
Other Operating Disbursements	(557)	(1,720)	(1,551)	(411)	(694)	(4,933)
Operating Cash Flows	2,684	(473)	1,024	1,060	1,444	5,739
Principal and Interest	-	-	-	-	-	-
Restructuring Professional Fees	(160)	(290)	(251)	(251)	(214)	(1,166)
Projected Net Cash Flow	2,524	(763)	773	809	1,230	4,573
Beginning Cash Balance	2,334	4,858	4,095	4,868	5,677	2,334
Projected Net Cash Flow	2,524	(763)	773	809	1,230	4,573
Ending Cash Balance	4,858	4,095	4,868	5,677	6,907	6,907

Notes:

- [1] The purpose of this cash flow forecast is to determine the liquidity requirements of the Primus Entities during the forecast period.
- [2] Forecast Receipts are based on the Primus Entities' existing residential and commercial customer base, customer credit terms and payment patterns and assumed impacts of the CCAA filing.
- [3] Forecast Payroll & Employee Benefits disbursements are based on actual payroll funding in the period leading up to the forecast period and assume no changes in staffing levels post-filing.
- [4] Forecast Network / Carrier Charges include payments to certain telecommunications providers. The timing of Network / Carrier Charges disbursements is assumed to occur in the week that services are provided.
- [5] Forecast Other Operating Disbursements consist primarily of trade suppliers, contractors and other vendors which are assumed paid cash on delivery. Also included in Other Operating Disbursements are Property Leases and Rents which are assumed paid in advance.
- [6] Forecast Restructuring Professional Fees consist of legal and financial advisor fees associated with the CCAA proceedings and are based on estimates obtained from legal and professional advisors.
- [7] Forecast amounts denominated in U.S. dollars are converted to Canadian dollars at the rate of USD 0.7161 / CAD.

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. (the "Applicants")

JANUARY 18, 2016

REPORT ON CASH FLOW STATEMENT
(paragraph 10.2(b) of the CCAA)

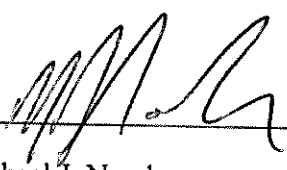
The management of the Applicants has developed the assumptions and prepared the attached statement of projected cash flow as of January 18, 2016, consisting of a 5-week cash flow forecast for the period January 19, 2016 to February 19, 2016 (the "January 18th Forecast").

The hypothetical assumptions are reasonable and consistent with the purpose of the projections as described in Note 1 to the cash flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the January 18th Forecast. All such assumptions are disclosed in Notes 2 to 7.

Since the January 18th Forecast is based on future events, actual results will vary from the information presented and the variations may be material.

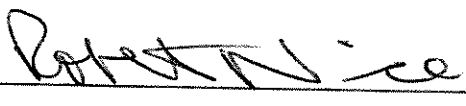
The January 18th Forecast has been prepared solely for the purpose outlined in Note 1, using the probably and hypothetical assumptions set out in Notes 2 to 7. Consequently readers are cautioned that the January 18th Forecast may not be suitable for other purposes.

Dated at Toronto, Ontario this 18th day of January, 2016.



Michael J. Nowlan
Chief Executive Officer

PT Holdco, Inc.
Primus Telecommunications Canada, Inc.
PTUS, Inc.
Primus Telecommunications, Inc.
Lingo, Inc.



Robert Nice
Chief Financial Officer

PT Holdco, Inc.
Primus Telecommunications Canada, Inc.
PTUS, Inc.
Primus Telecommunications, Inc.
Lingo, Inc.b

Appendix B

Basis of Calculation of D&O Charge

Primus Entities [1]

ESTIMATED D&O CHARGE

	CAD in Millions	Basis of Calculation
Estimated Potential D&O Liabilities		
Employee Related	1.6	Primus Entities' forecast payroll disbursements and actual payroll funding cycle.
Federal Excise Tax	0.8	Primus Entities' forecast tax disbursements and actual remittance/payment schedule.
Provincial/State Sales Taxes	0.7	Primus Entities' forecast tax disbursements and actual remittance/payment schedule.
Total - Estimated Potential D&O Liabilities	3.1	

Notes:

[1] The Primus Entities include: PT Holdco, Inc.; Primus Telecommunications Canada, Inc.; PT US, Inc.; Primus Telecommunications, Inc.; and Lingo, Inc.