



NO. *L042146*
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTIONS 324 and 227(3) OF THE
BUSINESS CORPORATIONS ACT SBC 2002 C 57

IN THE MATTER OF CANADA PAYPHONE CORPORATION AND GLOBALIVE
COMMUNICATIONS INC. IN RELATION TO THE PROPOSAL OF
CANADA PAYPHONE CORPORATION UNDER THE
BANKRUPTCY AND INSOLVENCY ACT

CANADA PAYPHONE CORPORATION

PETITIONER

ORDER

| | | |
|--------|-------------------------------|-----------------------|
| BEFORE |) THE HONOURABLE <i>MADAM</i> |) WEDNESDAY, THE 25TH |
| |) JUSTICE <i>KOENIGSBERG</i> |) DAY OF AUGUST, 2004 |
| |) |) |
| |) |) |
| |) |) |

THIS APPLICATION of the Petitioner coming on for hearing without notice at 800 Smithe Street, Vancouver, British Columbia, on August 25, 2004; and on hearing Hein Poulus Q.C. and Gordon Phillips, Counsel to the Petitioner, and Scott Griffin, Counsel to Globalive Communications inc. ; and UPON READING the affidavits of Andre Cote and Martin Rosenthal sworn on August 24, 2004;

THIS COURT ORDERS that

1. The Petitioner may serve the Petition, Notice of Hearing, and supporting affidavits on all of the Petitioner's shareholders and option holders by:

(a) Issuing a press release substantially in the form attached to this Notice of Motion, no later than 4 pm Vancouver time on Wednesday, August 25, 2004; ~~and~~

(b) Making the Petition, Notice of Hearing and supporting affidavits, and this Order available on the Petitioner's Website no later than 4 pm Vancouver time on Wednesday August 25, 2004; ~~and~~

(c) *delivering the press release and the Petition to the eight registered shareholders holding at least 100,000 shares no later than noon Vancouver time on Thursday*

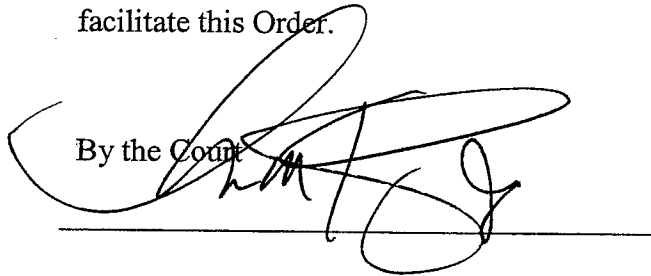
and such service is deemed to be good and sufficient service of those documents on the Petitioner's shareholders and holders of stock options, exchange rights, convertible securities and warrants in relation to the Petitioner.

2. The date set for the hearing of the Petition shall be 2 p.m. on Friday, August 27, 2004, on condition that service shall be effected in accordance with paragraph 1 of this Order.

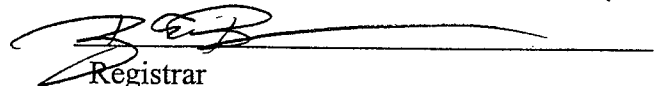
3. The Petitioner is granted liberty to apply for such further orders as may be required to facilitate this Order.

August 26 2004 by fax or other means.

By the Court

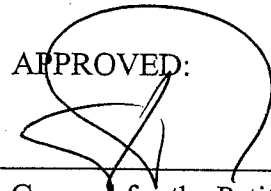


Registrar



APPROVED:

Counsel for the Petitioner Canada
Payphone Corporation



ENTERED

AUG 25 2004

VANCOUVER REGISTRY

VOL. 51235 FOL. 112

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PRESS RELEASE

August 25, 2004

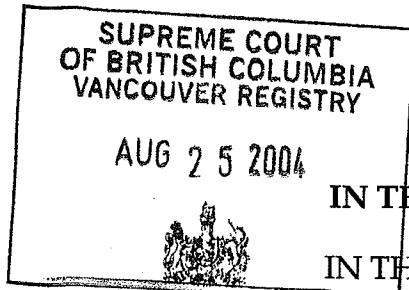
FOR IMMEDIATE RELEASE

Burnaby, B.C. - Mr. Andre Cote, President and Chief Executive Officer of Canada Payphone Corporation (the "Company") announces that today the British Columbia Supreme Court has granted an order permitting the hearing on Friday August 27, 2004 of the Company's application for such orders as may be necessary in order to allow the Company to proceed to implement the transaction with Globalive Communications Inc., and in particular providing to the existing shareholders of half of the proceeds from the offer of Globalive as referred to in its press releases of August 18 and 23, 2004 in exchange for their shares. As this is contingent on the approval by the Quebec Superior Court of the Company's proposal undertaken under the *Bankruptcy and Insolvency Act* (Canada), the hearing of the application is scheduled immediately after the matter is considered by the Quebec Superior Court.

More information is set out in the Company's press release issued earlier today. A copy of today's Order which authorizes notice to the shareholders by this notice, the Petition and supporting affidavits are attached to this website.

L042146

NO. _____
Vancouver Registry



IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF SECTIONS 324 and 227(3) OF THE
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COMMUNICATIONS INC. IN RELATION TO THE PROPOSAL OF
CANADA PAYPHONE CORPORATION UNDER THE
BANKRUPTCY AND INSOLVENCY ACT**

PETITION TO THE COURT

THIS IS THE PETITION OF:

**CANADA PAYPHONE CORPORATION
c/o Stikeman Elliott LLP
Barristers & Solicitors
1700-666 Burrard Street
Vancouver, British Columbia**

ON NOTICE TO:

The holders of shares in the Petitioner, and the holders of stock options, exchange rights, convertible securities and warrants in relation to the Petitioner

Let all persons whose interests may be affected by the order sought TAKE NOTICE that the Petitioner applies to Court for the relief set out in this Petition.

APPEARANCE REQUIRED

IF YOU WISH TO BE NOTIFIED of any further proceedings, YOU MUST GIVE NOTICE of your intention by filing a form entitled "Appearance" in the above registry of this Court within the Time for Appearance and YOU MUST ALSO DELIVER a copy of the "Appearance" to the Petitioner's address for delivery, which is set out in this Petition.

YOU OR YOUR SOLICITOR may file the "Appearance". You may obtain a form of "Appearance" at the registry.

IF YOU FAIL to file the "Appearance" within the proper Time for Appearance, the Petitioner may continue this application without further notice.

TIME FOR APPEARANCE

Where this Petition is served on a person in British Columbia, the time for appearance by that person is 7 days from the service (not including the day of service).

Where this Petition is served on a person outside British Columbia, the time for appearance by that person after service, is 21 days in the case of a person residing anywhere within Canada, 28 days in the case of a person residing in the United States of America, and 42 days in the case of a person residing elsewhere.

[or, where the time for appearance has been set by order of the court, within that time.]

TIME FOR RESPONSE

IF YOU WISH TO RESPOND to the application, you must, on or before the 8th day after you have entered an appearance,

- (a) deliver to the petitioner
 - (i) 2 copies of a response in Form 124, and
 - (ii) 2 copies of each affidavit on which you intend to rely at the hearing, and
- (b) deliver to every other party of record
 - (i) one copy of a response in Form 124, and
 - (ii) one copy of each affidavit on which you intend to reply at the hearing

| | |
|-----|---|
| (1) | The address of the registry is: 800 Smithe Street Vancouver, British Columbia V6Z 2E1 |
| (2) | The ADDRESS FOR DELIVERY is: Stikeman Elliott LLP Barristers & Solicitors 1700-666 Burrard Street Vancouver, British Columbia Telephone 604 631 1378 Attention: Hein Poulus, Q.C. Fax Number for delivery (if any): (604) 681 1825 |

The Petitioner applies to this Court for an order an order approving the Exchange of Shares.

The Petitioner will rely on the *Business Corporations Act*, SBC 2002 c 57, sections 324 and 227(3) (the "Act"), the inherent jurisdiction of this Court and Rule 10 of the Rules of Court.

At the hearing of this petition will be read the affidavits of Andre Cote and Martin Rosenthal, sworn August 24, 2004, and copies of which are served herewith.

The facts upon which this Petition is based are as follows:

1. Canada Payphone Corporation ("CPC") is incorporated pursuant to the laws of British Columbia. It provides private pay phone services across Canada.
2. The pay phone business has been steadily decreasing since the introduction of cell phones. The number of pay phones in Canada has been falling at a rate of 10% to 20% per year, although that rate has started to decrease. The average revenue per pay phone has also been falling. There is only one other independent pay phone provider in the country, all of the rest having gone out of business.
3. CPC originally planned to operate 10,000 pay phones. But it only ended up operating about 4,000.
4. And about half of those 4,000 were uneconomic – that is, did not provide the roughly \$3.00 per day in revenue needed to cover their costs. So CPC had to close them down, and now operates about 2,000 pay phones.
5. CPC's revenue from those phones does not permit it to both service its debt and pay its operating costs.
6. CPC's creditors indicated impatience at not being paid, and made it clear that they would seek to petition it into bankruptcy unless satisfactory arrangements could be made. So on April 16, 2004, CPC filed a notice of intention to make a proposal to its creditors under the Bankruptcy and Insolvency Act (the "BIA").
7. On May 5, 2004, CPC obtained an extension of the time in which to file its proposal.

8. CPC filed its proposal on June 16, 2004.
9. The meeting of creditors to consider the proposal was to be held on July 7, 2004 but was adjourned by the creditors to September 16.
10. CPC has incurred losses of approximately \$2.1 million for its 1998 financial year (the "1998 Tax Losses"). The statutory limitation period to claim tax losses is 6 years, and CPC will therefore lose the benefit of its 1998 Tax Losses at the end of its current financial year, September 30, 2004.
11. CPC's management has been in negotiations with various potential investors, in addition to Globalive to which reference is made later in this Petition, since the filing of the notice of intention. Three potential investors indicated some interest, but ultimately one of them never made any offer and the other two withdrew from negotiations.
12. CPC's management sought to interest investors in a private placement of CPC shares, but were unable to attract any substantial interest.
13. CPC's management also enlisted the help of three brokerage houses that represented the bulk of the existing shareholders – Canaccord, Union securities, and Scotia Macleod – to try to induce those shareholders to invest further sums. This did not produce anything.
14. The only source of significant funds to CPC is Globalive Communications Inc. ("Globalive"). The main elements of its offer are:
 - (a) CPC making a successful proposal to its creditors, whereby its debts will be compromised,
 - (b) Globalive becoming the sole shareholder of CPC; and
 - (c) The completion of the above in sufficient time to permit the use of the 1998 Tax Losses by Globalive.
15. If Globalive's offer is accepted and the resulting contract is completed CPC will receive \$1,000,000 of which it will distribute \$500,000 pro rata to its creditors (whose debts will then be compromised) and \$500,000 pro rata to its existing shareholders (whose shares will then be redeemed).
16. On or about August 19, 2004, CPC's board of directors approved Globalive's offer, just before it expired, because no alternative could be identified, and a release was issued saying that the offer had been accepted.

17. Acceptance of Globalive's offer and completion of the resulting contract is in the best interests of CPC's creditors, in that it will permit CPC to amend its proposal in order to double the anticipated dividend to its creditors, from approximately 12 cents to 25 cents on the dollar.
18. It is also in the best interests of CPC's shareholders, in that it will permit the shareholders to receive \$500,000 for shares in an insolvent company.
19. The payment to the creditors is conditional on Globalive becoming the sole shareholder of CPC in order to take advantage of the 1998 Tax Losses. In the ordinary course, a company will only pay in the range of 5% of the value of tax losses on such a transaction. In this case, the payment to the shareholders amounts to approximately 10% of the value of the total potential tax losses in CPC. And there is no assurance that in fact Globalive can make use of the tax losses in CPC.
20. There is no better prospect of maximizing the dividend to CPC's creditors, or for providing anything whatsoever to its shareholders, and without the transaction the members of CPC may get nothing: without it, CPC will be bankrupt in the very near future.
21. CPC has about 25,000,000 shares issued and outstanding. They are traded on the TSE. Trading was suspended, but recently resumed; the shares of CPC today are trading at around \$0.02
22. CPC's shareholders are very widely spread.
23. The largest shareholder of CPC, "Allstream", which holds about 13% of the shares, is in favour of the Offer.
24. In order for CPC to complete the transaction with Globalive, the following must occur:
 - (a) CPC must amend its proposal under the BIA and have it approved by the creditors,
 - (b) the amended proposal must be sanctioned by the Quebec Superior Court Commercial Division in Bankruptcy;
 - (c) CPC must obtain an order of the court in British Columbia approving the redemption of its existing shares for an aggregate of \$500,000; and
 - (d) the thirty-day period in which to appeal those orders must expire.

25. If the Order in this Petition is granted on August 27 2004, then the appeal period will expire on September 27 2004 (September 26 being a Sunday). This would allow a very few days to close the transaction before the 1998 tax losses expire.
26. On August 21, 2004, the Quebec Superior Court Commercial Division in Bankruptcy issued an order abridging the time under the BIA as follows:
 - (a) the meeting of creditors to consider the amended proposal will be held at 10 a.m. Eastern time on August 27, 2004 and
 - (b) the hearing of the Court for the sanction of the amended proposal, in the event that it is accepted by the creditors at that meeting, will be held at 2:00 p.m. Eastern time on August 27, 2004.

The Petitioner estimates that the application will take one hour.

Dated: August 25, 2004



Solicitor for the Petitioner

This PETITION if filed and delivered by Hein Poulus, Q.C. of the firm Stikeman Elliott LLP whose place of business and address for delivery is Suite 1700, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8 Telephone: (604) 631- 1300; Fax: (604) 681-1825

Affidavit #1 of André Côté
Sworn: August 24, 2004
No. L042146
Vancouver Registry

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BANKRUPTCY AND INSOLVENCY ACT**

AFFIDAVIT

I, André Côté, of 340 Losch Boulevard, Building 4, Suite 34, St-Hubert, Quebec,
MAKE OATH AND SAY THAT:

1. I am the president and CEO of the petitioner and I have personal knowledge of the matters hereinafter deposed to, except where stated to be on information, and where so stated I believe them to be true.
2. Canada Payphone Corporation ("CPC") is incorporated pursuant to the laws of British Columbia. It provides private pay phone services across Canada.
3. The pay phone business has been steadily decreasing since the introduction of cell phones. The number of pay phones in Canada has been falling at a rate of 10% to 20% per year, although that rate has started to decrease. The average revenue per pay phone has also been falling. There is only one other large independent pay phone provider in the country, the rest having gone out of business.
4. CPC once planned to operate 10,000 pay phones, but it ended up operating only about 4,000.
5. About half of those 4,000 pay phones were uneconomic - that is, they did not provide the roughly \$3.00 per day in revenue needed to cover their costs so they have been closed down.
6. CPC now operates about 2,200 pay phones.
7. CPC's revenue from those phones does not permit it to both service its present debt in a timely fashion and pay its operating costs.

8. CPC's creditors indicated their impatience at not being paid, and made it clear that they would cease providing necessary services, including notably telephone lines, to CPC unless satisfactory arrangements could be made. So on April 8, 2004, CPC filed a notice of intention to make a proposal to its creditors under the Bankruptcy and Insolvency Act (the "BIA").
9. On May 5, 2004, CPC obtained an extension, to June 17, 2004, of the deadline to file its proposal.
10. CPC filed its proposal on June 16, 2004.
11. The meeting of creditors to consider the proposal was to be held on July 7, 2004 but was adjourned by the creditors to September 16, 2004.
12. CPC has incurred losses of approximately \$2.1 million for its 1998 financial year (the "1998 Tax Losses"). The statutory limitation period to claim tax losses is 6 years, and CPC will therefore lose the benefit of its 1998 Tax Losses at the end of its current financial year, September 30, 2004.
13. CPC's management has been in negotiations with various potential investors, in addition to Globalive to which I will refer later in this affidavit, since the filing of the notice of intention. Three potential investors indicated some interest, but two of them never made an offer, while the third one submitted a non-binding letter of intent but withdrew from negotiations.
14. CPC's management sought to interest investors and certain existing shareholders in a private placement of CPC shares, but were unable to attract any substantial interest.
15. CPC's management also contacted the Executive Vice President of Union Securities Ltd., one of three brokerage houses that represented the bulk of the existing shareholders, to try to induce those shareholders to invest further sums. Union Securities Ltd. in turn contacted the other two brokerage houses, Canaccord and Scotia MacLeod. This did not produce any results.
16. The only source of significant funds that we have been able to identify is Globalive Communications Inc. ("Globalive"). The main elements of its offer are:
 - (a) CPC making a successful proposal to its creditors, whereby its debts will be compromised,
 - (b) Globalive becoming the sole shareholder of CPC; and
 - (c) The use by Globalive of all of CPC's tax losses.

17. Exhibit "A" to my affidavit is a copy of Globalive's Offer.
18. The effects of the transaction will be that CPC will receive \$1,000,000 of which it will distribute \$500,000 pro rata to its creditors (whose debts will then be compromised) and \$500,000 pro rata to its existing shareholders (whose shares will then be redeemed).
19. On or about August 19, 2004, CPC's board of directors executed Globalive's offer, which had been accepted just before it expired on April 17, 2004, because no alternative could be identified. A release was issued saying that the offer had been accepted.
20. Acceptance of Globalive's offer and completion of the resulting contract is in the best interests of CPC's creditors, in that it will permit CPC to amend its proposal in order to double the anticipated dividend to its creditors, from approximately 12 cents to 25 cents on the dollar, as appears from a copy of the amended proposal. Exhibit "B" to my affidavit is a copy of the amended proposal reflecting Globalive's offer.
21. It is also in the best interests of CPC's shareholders, in that it will permit the shareholders to receive \$500,000 for shares in an insolvent company.
22. The payment to the creditors is conditional on Globalive becoming the sole shareholder of CPC in order to take advantage of the Tax Losses. In the ordinary course, a company will only pay in the range of 5% of the value of tax losses on such a transaction. In this case, the payment to the shareholders amounts to approximately 10% of the value of the total potential tax losses in CPC.
23. I know of no better prospect of maximizing the dividend to CPC's creditors, or for providing anything whatsoever to its shareholders, and without the transaction the shareholders of CPC may get nothing: I anticipate that unless CPC obtains \$500,000 in the very near future that the probable outcome is bankruptcy.
24. CPC has 25,255,977 common shares issued and outstanding. They are traded on the TSX Venture Exchange. Trading was suspended, but recently resumed; the shares of CPC today are trading at around \$0.02.
25. CPC's shares are very widely held.
26. The largest shareholder of CPC, "Allstream", which holds about 13% of the common shares, is in favour of the Offer.
27. No other shareholder holds 10% or more of the common shares.

28. In order for CPC to complete the transaction with Globalive, the following must occur:
 - (a) CPC must amend its proposal under the BIA and have it approved by the creditors,
 - (b) the amended proposal must be sanctioned by the Quebec Superior Court Commercial Division in Bankruptcy;
 - (c) CPC must obtain an order of the court in British Columbia approving the redemption of its existing shares for an aggregate of \$500,000;
 - (d) the thirty-day period in which to appeal those orders must expire, and
 - (e) an amendment to CPC's articles of incorporation must then be filed with the relevant authorities in British Columbia.
29. I understand that it can take two business days to register the amendment of the articles of incorporation, which means that the deadline to appeal the orders must expire by September 28, 2004, which in turn means that the Orders must be granted no later than August 27, 2004.
30. On August 20, 2004, the Quebec Superior Court Commercial Division in Bankruptcy issued an order abridging the time under the BIA as follows:
 - (a) the meeting of creditors to consider the amended proposal will be held at 10 a.m. Eastern time on August 27, 2004, and
 - (b) the hearing of the Court for the sanction of the amended proposal, in the event that it is accepted by the creditors at that meeting, will be held at 2:00 p.m. Eastern time on August 27, 2004.
31. In respect of the approval by the British Columbia Supreme Court, it is proposed as follows:
 - (a) Notice of the hearing of this petition be sufficiently given by placing the Approved Notice found at Appendix "A" to this Petition on the website of Canada Payphone Corporation and in a press release to be issued by Canada Payphone Corporation.
 - (b) the hearing of the petition be before this Honourable Court on August 27, 2004 at 3 pm Pacific Time.
32. Exhibit "C" is a copy of CPC's Statement of Affairs, and its contents are true.

SWORN BEFORE ME at the City of)
Montreal, in the Province of Quebec this)
24th day of August, 2004:)

Gisèle Langlois)
Commissioner of Taking Affidavits for)
Quebec)



André Côté
André Côté

Montreal, August 13, 2004

CANADA PAYPHONE CORPORATION
7664 Kingsway
Burnaby, BC, V3N 3C6.

Attention: Mr. André Gervais, Chairman of the Board

Re: Binding Offer to Purchase Canada Payphone Corporation

Sirs:

Globalive Communications Inc. ("Globalive"), a corporation incorporated under the *Ontario Business Corporations Act*, remains interested by a potential transaction (the "Proposed Transaction") involving Globalive or its subsidiary, affiliate, designee, successor or assign (the "Investor Company") and Canada Payphone Corporation (the "Company") as a result of which the Investor Company would be the sole shareholder of the Company and shall be in a position to continue the Company's operations and enjoy the benefit of its assets, including without limitation, its tax losses carried over and is therefore hereby amending all of its previous offers.

In light of the fact that the Company has filed a Notice of Intention to make a proposal for the benefit of its creditors under the *Bankruptcy and Insolvency Act* (Canada) (the "Notice"), there are two possible scenarios to proceed with the Proposed Transaction, although the exact steps remain to be determined. The first scenario would be to dilute the holdings of the existing shareholders of the Company by causing it to issue to the Investor Company a vast quantity of shares. Thereafter, the Company would either be amalgamated with, or wound-up into the Investor Company. Following the resulting consolidation of shares, the shares held by the previous shareholders of the Company would be redeemed or cancelled.

The other scenario would be to proceed with a corporate restructuring which, for federal companies, would be carried out under section 191 of the *Canada Business Corporations Act*. However, the Company being incorporated under the laws of British Columbia, which does not include a similar provision, an application to the court in British Columbia would likely be necessary. We have not reviewed at this stage the precedents in that jurisdiction.

Globalive is interested in the Proposed Transaction between itself and the Company only if it can be concluded on an expedited basis.

Globalive hereby proposes the following terms and conditions for the Proposed Transaction:

This document is Exhibit A
referred to in the affidavit of André Côté sworn before
me on August 24, 2004



Gisèle Lamlois
Commissioner for taking affidavits for Quebec

Handwritten initials, possibly "DL", in the bottom right corner of the page.

1. Proposed Transaction. Globalive, the Company and the trustee appointed as trustee under the Notice (the "Trustee") shall determine within five days of the acceptance hereof the exact structure of the Proposed Transaction.
2. Purchase Price and Assumed Liabilities. Globalive is disposed to make available for the Proposed Transaction an amount of NET CDN \$1,000,000 (the "Investment") which could be invested in the Company and used by it to finance the operations (arrangement with the shareholders, court's application, a proposal by the Company to its creditors under the *Bankruptcy and Insolvency Act* (Canada), etc.) required to give effect to the Proposed Transaction. The Investor Company is to assume no liabilities other than the ongoing liabilities of the Company generated through normal operations and costs associated with this transaction;
3. Conditions. The obligations of the Investor Company to consummate the Proposed Transaction would be subject to the following conditions:
 - (a) The negotiation and execution by the Investor Company and the Company of a definitive agreement incorporating the principal terms of this offer as well as customary covenants, conditions, representations and warranties and indemnity provisions for this type of transaction. The Company will request that the bankruptcy court will relieve Globalive and CPC of all claims prior to the closing of the transaction;
 - (b) The approval by the Board of Directors of Globalive and the delivery by the Investor Company of all necessary approvals related to the Proposed Transaction, if any;
 - (c) The approval by the Board of Directors of the Company or by a court of competent jurisdiction and the delivery by the Company and/or the Trustee of all necessary approvals normally required of a vendor in transactions of this nature and to be specified by the Investor Company to the Company
 - (d) The Company shall have operated its business in the ordinary course and there shall have been no material adverse change in the business or financial condition or prospects of the Company other those generated through the current bankruptcy proceedings;
 - (e) The proposal submitted by the Company to its creditors shall have been made in accordance with the *Bankruptcy and Insolvency Act* (Canada) and shall have been approved by the Superior Court;
 - (f) The Proposed Transaction shall have been approved by the courts of competent jurisdiction, should the ultimate structure of the transaction require approval(s) from courts other than the Superior Court;

- (g) The delivery by the Company of all governmental, regulatory and third party approvals, rulings, exemptions and other consents necessary in order to permit the consummation of the Proposed Transaction;
 - (h) The delivery by the Company to the Investor Company of its assets free and clear of all liens and security interests with the exception of the liens in favour of Paytel Alberta and Global Access.
4. Due Diligence. Globalive does not intend to conduct a due diligence review of the Company's business in order to proceed with the Proposed Transaction and disburse the Investment.
 5. Normal Course. From the date hereof until the date of Closing, the business of the Company shall have been operated in the normal course of business except for the bankruptcy proceedings
 6. Employees. Subject to discussion that could be held with some of the Company's current employees, the Investor Company may make offers of employment to certain of the Company's current employees.
 7. Timing of Transaction. The parties would seek to close the transaction as quickly as possible but in no event later than August 31, 2004 or on such other date as may be mutually agreed by the parties (the "Closing").
 8. Confidentiality and Public Announcement. Neither Globalive nor the Company shall make any public announcement of the existence of this offer, the transactions contemplated herein or the content hereof without in each case the prior written consent of the other, otherwise than to the Trustee or unless such disclosure is required by law or to facilitate the realization of the Proposed Transaction to the extent that appropriate measures are taken to preserve confidentiality.
 9. Expenses. Globalive and the Company shall each bear its own expenses, in respect of this offer, the definitive agreement and the transactions contemplated hereby and thereby, whether or not the Proposed Transaction is consummated.
 10. Effect of the Offer. By executing this offer to purchase, the parties will be legally bound by it if the conditions set forth in Section 3 have been met.
 11. Governing Law. The parties agree that this offer to purchase and documents relating thereto shall be governed by the laws of the Province of Quebec, and each party submits to the jurisdiction of the courts of the Province of Quebec with respect to any matter arising out of or in connection with this offer.
 12. Claims Against Board of Directors. In accordance with the provisions of Article 50 (13) of the *Bankruptcy and Insolvency Act* (Canada), the acceptance of the proposal by the creditors shall release definitively the directors of the Company as at the date of the proposal from any and all liability or obligation for which they

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may be liable by law in their capacity as directors, in respect of any debt of the Company which arose before the date of the proposal. It is understood however that nothing herein shall be interpreted as an acknowledgement of any liability or obligation on the part of the directors of the Company as at the date of the proposal, any such liability or obligation being specifically denied.


13. Reviewable Transactions, Preferential Payments, etc. The provisions of sections 91 to 101 of the *Bankruptcy and Insolvency Act* (Canada) shall not apply to the proposal, nor shall recourse to the Paulian action as provided for in the *Civil Code of Quebec*.

The proposal set forth in this letter is open for acceptance by the Company until 4:00 p.m. on August 19, 2004 failing which it shall become null and void and of no effect. We look forward working with you on completing the Proposed Transaction.

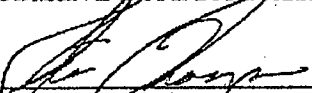
Very truly yours,

Agreed and Accepted as set forth above by a duly authorized representative on August 19, 2004.

CANADA PAYPHONE CORPORATION

By: 
Name: ANDRE COTE
Title: PRESIDENT & CEO

GLOBALIVE COMMUNICATIONS

By: 
Name: STEWART THOMPSON
Title: CHIEF FINANCIAL OFFICER

c.c.: Robert Takash, C.I.R.P.

CANADA
PROVINCE OF QUEBEC
DISTRICT OF LONGUEUIL

SUPERIOR COURT

"in bankruptcy"

DIVISION NO.: 01
COURE NO.: 508-11-004365-440
ESTATE NO.: 41-317429

IN THE MATTER OF THE PROPOSAL OF CANADA PAYPHONE CORPORATION, a
body politic and corporate, duly incorporated according to Law and having its head office at 7664
Kingway, Burnaby (Bc) V3N 3C6 operating at 6889 Rexwood Rd, suite 1, Mississauga (On)
L4V 1R2 and 3400 Lash Blvd, tower 4, suite 34, St-Hubert (Qc) J3Y 5T6.

DEBTOR

AMENDED PROPOSAL

I, CANADA PAYPHONE CORPORATION, the above-named Debtor, hereby submit the
following Proposal under the *Bankruptcy and Insolvency Act*.

1. THAT secured lenders be paid in ordinary course of business; Crown claims shall be paid in full, six months after approval by the Court of the Proposal or as may otherwise be arranged by the Crown
2. THAT there are no known preferred creditors;
3. THAT provision for payment of all proper fees, expenses, liabilities and obligations of the Trustee including legal fees and accounting fees on and incidental to the proceedings arising out of this proposal including legal costs and disbursements in connection with the settlement of any Creditor's claim, and in connection with the preparation of this Proposal, including advice to the debtor in connection therewith, shall be made in the following manner:

All such fees, expenses, liabilities and obligations shall be paid from the Fund (as defined herein) in priority to all claims of Unsecured Creditors and Preferred Creditors.
4. THAT debts arising in respect of goods supplied, services rendered or other consideration given as the date of the Proposal, shall be paid in full by the debtor in the ordinary course of business and on regular trade terms and provided such debts have been incurred with the concurrence of the Claimant;
5. THAT provision for payment of all claims of Ordinary Creditors being those persons with claims not referred to in paragraphs 1, 2, 3 and 4 of this Proposal of every nature and kind whatsoever whether due or not due for payment as of the date of the Proposal shall be made as follows:
 - a) Within 60 days of the approval of the Proposal by the Superior Court the Debtor will provide the Trustee with an amount of \$360,000 which shall constitute the Fund; (the "Fund")
 - b) A lump sum amount to all creditors equal to the lesser of the creditors claim and one thousand five hundred dollars (\$1,500) no later than November 15, 2004.
 - c) The balance of the Fund, after the payments provided for in sections 3 and 5b) herein, shall be distributed and paid rateably to all creditors no later than November 30, 2004.
6. THAT at a Statutory Meeting of Creditors called to consider this Proposal, the creditors, if they so desire, may appoint one or more, but not exceeding five, individuals to serve as a Committee of Creditors;
7. THAT the acceptance of the proposal shall have the effect of discharging the directors of the corporation with respect to their statutory liabilities with regarding all government claims;

This document is Exhibit B
referred to in the affidavit of André Côté sworn before
me on August 24, 2004




Gisèle Langlois
Commissioner for taking affidavits for Quebec

8. THAT the Committee contemplated in Paragraph 6, hereof, shall have the following powers:
- a) To advise the Trustee in connection with his actions under this Proposal of any amendments hereto, as the Trustee may from time to time request;
 - b) To allow the postponement of the payment of any dividend provided for in this Proposal;
 - c) To continue to serve until payment by the debtor of the full amount set forth in paragraph 3 hereof.
9. No amount can be claimed to the director as obligations originating from the debtor where the director is by law liable in its capacity as director for the payment of such obligations;
10. The provisions of sections 91 to 101 of the *Bankruptcy and Insolvency Act* (Canada) shall not apply to the proposal, nor shall recourse to the Paulian action as provided for in the Civil Code of Quebec apply.
11. THAT ERNST & YOUNG INC. Licensed Administrator of the City of Montreal, shall be the administrator under this Proposal and all monies payable under this Proposal shall be paid over to the Administrator who shall make the payments of the dividends, the whole in accordance with the terms of this Proposal.

DATED AT MONTREAL, this 20th day of August 2004.

WITNESS:


 Martin Kozminski, cnp
 Designated Administrator

CANADA PAYPHONE CORPORATION


 Andre Côté

N° 505-11-006265-040

SUPERIOR COURT - Commercial Division
(In Bankruptcy and Insolvency)

CANADA
PROVINCE OF QUEBEC
DISTRICT OF LONGUEUIL

IN THE MATTER OF THE PROPOSAL OF:

CANADA PAYPHONE CORPORATION

Debtor

-and-
APPLE & CIE INC.

Trustee

-and-
ERNST & YOUNG INC.

Mis-en-cause

BS0350 n/dos: 028701-1125

MOTION FOR DIRECTIONS AND FOR THE
SUBSTITUTION OF THE TRUSTEE
(Sections 1404, 94 and par. 183(1) of the BIA),
AFFIDAVIT AND LIST OF EXHIBITS

COPIE POUR LA COUR

Me Guy F. Martel (514) 397-3163
Fax: (514) 397-3493

STIKEMAN ELLIOTT
Stikeman Elliott S.E.N.C.R.L., s.r.l. AVOCATS
4^o étage
1155, boul. René-Lévesque Ouest
Montréal, Canada H3B 3V2

STATEMENT OF AFFAIRS (Sec 158)
IN THE MATTER OF THE PROPOSAL OF
CANADA PAYPHONE CORPORATION

HAVING ITS HEAD OFFICE AT 7664 KINGSWAY, BURNABY (BC) V3N 3C6, OPERATING AT 6889 REXWOOD RD, SUITE 1,
MISSISSAUGA (ONT) L4V 1R2 AND 3400 LOSE BLVD TOWER 4, SUITE 34, ST-HUBERT (QC) J3Y 5T6.

You are required to carefully and accurately complete this form and the applicable attachments, showing the state of your affairs on the date of your
proposal, June 16, 2004. When completed, this form and the applicable attachments will constitute your Statement of Affairs and must be verified by oath or
solemn declaration:

Table with columns for Liabilities and Assets. Liabilities include Unsecured creditors (1,218,072.00), Secured creditors (108,000.00), and Total Liabilities (81,326,072.00). Assets include Inventory (5,000.00), Accounts Receivable (85,000.00), and Total Assets (8698,000.00).

I, André Côté Director of CANADA PAYPHONE CORPORATION, do swear that this statement and attached lists are to the best of my knowledge a full,
true and complete statement of its affairs on June 16, 2004, and fully disclose all property of every description, that is in its possession or that may devolve
on it in accordance with Section 67 of the Act.

SWORN before me in the City of WESTMOUNT in the
PROVINCE OF QUEBEC this 15th day of June, 2004.

Handwritten signature and number 85519.

COMMISSIONER OF OATH FOR ALL JUDICIAL DISTRICT
OF QUEBEC

Handwritten signature of the debtor or officer.

Signature of Debtor or Officer

This document is Exhibit C
referred to in the affidavit of André Côté sworn before
me on August 24, 2004



Handwritten signature of GISELE LANGLOIS, Commissioner for taking affidavits for Quebec.

STATEMENT OF AFFAIRS (Sec 158)
 IN THE MATTER OF THE PROPOSAL OF
 CANADA PAYPHONE CORPORATION
 HAVING ITS HEAD OFFICE AT 7664 KINGSWAY, BURNABY (BC) V3N 3C6, OPERATING AT 6889 KEXWOOD RD, SUITE 1,
 MISSISSAUGA (ONT) L4V 1R2 AND 3400 LOSH BLVD TOWER 4, SUITE 34, ST-HUBERT (QC) J3Y 5T6.

List 'A'
 Unsecured Creditors

| No | Name | Address | Account No. | Amount of claim |
|----|--------------------------------|--|-------------|-----------------|
| 1 | Able Copiers Ltd | 12 Orwl North Vancouver BC V7J 2G1 | | 872.00 |
| 2 | Ablay Canada Inc. | 9630 Trans Canada Montreal Qc H4S 1V9 | | 411.00 |
| 3 | Action Electrical Ltd | 7931 Coronet Rd Edmonton AB T6E 4N7 | | 53.00 |
| 4 | ADT Canada Inc. | 940 6th Avenue S.W. suite 700 Calgary Alb T2P 3T1 | | 674.00 |
| 5 | Albera Corp. Income Tax Return | Sir Frederik W Haultain Building 9811-109 Street Edmonton AB T5K 2L5 | 217830157 | 77 |
| 6 | Allstream Inc. - Calgary | P.O. Box 333 Station M Toronto Ont M6S 4W9 | | 127,232.00 |
| 7 | Allstream Inc. - Toronto | P.O. Box 333 Station M Toronto Ont M6S 4W9 | | 44,124.00 |
| 8 | Apex Operations Inc. | 3104 Garden ave Vancouver BC V5N 4Y1 | | 1,887.00 |
| 9 | B.C. Hydro | P.O. Box 9501 Station Terminal Vancouver BC V6B 4N1 | | 68.00 |
| 10 | BCE Emergis | Customer payment Centre P.O. Box 3500 Station Don Mills Toronto Ont M3C 3X6 | | 67.00 |
| 11 | BDQ Dunwoody | 600 Park Place 666 Burrard Vancouver BC V6C 2X8 | | 10,700.00 |
| 12 | Bell Canada | Groupe Insolvabilité 400, Jean-Talon E. Bureau 901 Montréal Qc H2R 3A7 | 300193793 | 463,185.00 |
| 13 | Borden, Ladner, Gervais | 1000 de la Gauchetière W. suite 900 Montreal Qc H3B 5H4 | | 11,886.00 |
| 14 | Brinks Canada Ltd | P.O. Box 4280 Station A Toronto Ont M5W 2W4 | | 489.00 |
| 15 | C.S.S.T. | 1, Complexe Desjardins Tour Sud, 34e étage Montréal Qc H5B 1H1 | | 644.00 |
| 16 | Canadian Freightways Ltd | P.O. Box 3962 Station D Edmonton AB T5L 4K1 | | 420.00 |
| 17 | DHL Express (Canada) | 200 Westcreek Blvd Brampton Ont L6T 5T7 | | 756.00 |
| 18 | Dumas, Paul A. (Mr) | 1579 Jamestown Ormslow Qc J0S 1K0 | | 4,802.00 |
| 19 | Enbridge Consumers Gas | P.O. Box 644 Scarborough Ont M1K 5H1 | | 3,604.00 |
| 20 | Energie NB Power | P.O. Box 2000 | | 75.00 |

Dated: June 16, 2004


 Signature of Debtor or Officer

007/018

McCarthy Tétrault LLP Received : 06/30/2004 07:45AM - Pg 7/18
 06/30/2004 WED 7:49 FAX

STATEMENT OF AFFAIRS (Sec 156)
 IN THE MATTER OF THE PROPOSAL OF
 CANADA PAYPHONE CORPORATION
 HAVING ITS HEAD OFFICE AT 7664 KINGSWAY, BURNABY (BC) V3N 3C6, OPERATING AT 6889 REKWOOD RD, SUITE 1,
 MISSISSAUGA (ONT) L4V 1R2 AND 3400 LOSE BLVD TOWER 4, SUITE 34, ST-HUBERT (QC) J3Y 5T6.

List 'A'
 Unsecured Creditors

| No | Name | Address | Account No. | Amount of claim |
|----|--|---|----------------------|-----------------|
| 21 | Enwin Utilities | Canquet NB B1W 1C1 787 Ouellette ave P.O. Box 1625, Station A Windsor Ont N9A 5T7 | | 139.00 |
| 22 | Federal Corp. Income Tax Return | 9755 King George Highway Surrey BC V3T 3B1 | 100444454RC0001 | 77 |
| 23 | Federal Express | P.O. Box 4626 Station A Toronto Ont M5W 5B4 | | 46.00 |
| 24 | Garca Security Corporation | 1390 Barre Montreal Qc H3C 1N4 | | 1,325.00 |
| 25 | Global Access Communications | 745 Seventh avenue New York NY 10019 | | 124,000.00 |
| 26 | Gowling, Lafleur & Henderson | 160 Elgin suite 2600 Ottawa Ont K1P 1C3 | | 17,621.00 |
| 27 | Hydro-Québec | Dossiers Spéciaux 140, Crémazie O. 1er étage Montréal Qc H2P 1C3 | | 2,046.00 |
| 28 | ID Tel | 55 Canal Staten Island NY 10304 | | 3,030.00 |
| 29 | Ikon Office Solutions Inc. | P.O. Box 44048 Garfield Station Edmonton AB T5V 1N6 | | 587.00 |
| 30 | Island Tel-Alliant Telecom | P.O. Box 640 Charlottetown PE C1A 7L3 | | 638.00 |
| 31 | Jero Industries Inc. | 1730 St-Charles Blvd Drummondville Qc J2C 4Z5 | | 1,849.00 |
| 33 | Line Share Devices Inc. | 16 Coldwater Rd Don Mills Ont M3B 1Y7 | | 7,517.00 |
| 33 | Manitoba Corp. Capital Tax Return | Department of Finance 401 York avenue suite 101 Winnipeg MB R3C 0P8 | CC19631 | 77 |
| 34 | Manitoba Hydro | 2160 McPhillips Winnipeg MB R2V 3C8 | | 64.00 |
| 35 | Markham Hydro | P.O. Box 4100 8100 Warden ave Markham Ont L3R 8H7 | | 285.00 |
| 36 | Medical Service Plan of BC | P.O. Box 9140 Station Provincial Government Victoria BC V8W 9E5 | | 948.00 |
| 37 | Ministère du Revenu, Secteur N23CPF | Centre de Perception Fiscale Place Longueuil 825, St-Laurent O. Longueuil Qc J4K 2V1 | 1148342810/102216170 | 77 |
| 38 | Ministry of Finance & Corporate Relation | Consumer Taxation Branch The Commissioner Social Service Tax P.O. Box 9443 Stn Prov Govt Victoria BC V8W 9V1 | | 8,103.00 |
| 39 | Mississauga Hydro | 3240 Mavis Rd | | 936.00 |

Dated: June 16, 2004


 Signature of Debtor or Officer

008/018

08/30/2004 WBD 7:50 FAX
 McCarthy Tétrault LLP Received : 06/30/2004 07:45AM * Pg 8/8

STATEMENT OF AFFAIRS (Sec 158)
 IN THE MATTER OF THE PROPOSAL OF
 CANADA PAYPHONE CORPORATION
 HAVING ITS HEAD OFFICE AT 7664 KINGSWAY, BURNABY (BC) V3N 3C6, OPERATING AT 6889 REXWOOD RD, SUITE 1,
 MISSISSAUGA (ONT) L4Y 1R2 AND 3400 LOSH BLVD TOWER 4, SUITE 34, ST-HUBERT (QC) J5Y 5T6.

List 'A'
 Unsecured Creditors

| No | Name | Address | Account No. | Amount of claim |
|----|----------------------------------|---|-------------|-----------------|
| 40 | MTS Communications Inc. | Mississauga Ont L5C 3K1 P.O. Box 7500 | | 1,560.00 |
| 41 | MTT/Aliant Telecom | Winnipeg MB R3C 3B5 P.O. Box 2426 Station Central RPO Halifax NS B3J 3C7 | | 9,325.00 |
| 42 | NB Tel/Aliant Telecom | P.O. Box 555 Saint-Johns NB A2L 4V6 | | 8,288.00 |
| 43 | NewTel/Aliant Telecom | P.O. Box 2110 St-John's NF A1C 5H6 | | 2,000.00 |
| 44 | Norlake Canada Ltd | 90 Nugget ave Agincourt Ont M1S 3A7 | | 3,140.00 |
| 45 | Nova Express Inn. | 3531 Viking Way suite 2 Richmond BC V6V 1X7 | | 97.00 |
| 46 | Nova Scotia Power | P.O. Box 848 Halifax NS B3J 2V7 | | 77.00 |
| 47 | Oakville Hydro | P.O. Box 1900 Oakville Ont L6J 5E3 | | 139.00 |
| 48 | Ontario Capital Tax | Ministry of Finance Corpo. Tax Branch P.O. Box 642 33 King Street West Oshawa ON L1H 8T1 | 5470437 | ?? |
| 49 | Opcom Hospitality Solutions Inc. | 5108D 47th Street Leduc Alb T9B 6Y9 | | 43,000.00 |
| 50 | Port of Vancouver | 1900 Granville Square 200 Granville St. Vancouver BC V6C 2P9 | | 11,030.00 |
| 51 | Pricewaterhouse Coopers | 1111 West Hastings Vancouver BC V6E 3R2 | | 7,587.00 |
| 52 | Receiver General of Canada | Manager of Government Remittance Livington International Suite 720, 1140 West Pender Street Vancouver BC V6E 4H5 | | ?? |
| 53 | Roger AT&T | P.O. Box 9100 Don Mills Qc M3C 3P9 | | 3,048.00 |
| 54 | Sask Tel | P.O. Box 2131 Regina Sask S4P 4C3 | | 1,136.00 |
| 55 | Saskatchewan Capital Tax Return | Revenue Division 2350 Alberta Street Regina SK S4P 4A6 | 1847110 | ?? |
| 56 | Securitor | Linda Kenny 170 Joseph Zatzman suite 11 Dartmouth Ns B3B 1L9 | | 12,588.00 |
| 57 | SNS Data Product | 11951 Hartnessmith Way suite 133 Richmond BC V7A 5H9 | | 282.00 |
| 58 | Stockgroup.Com Media | 750 West Pender Vancouver BC V6C 2T7 | | 4,280.00 |
| 59 | TelUs | P.O. Box 6767 Vancouver BC V6B 4L6 | | 116,660.00 |

Dated: June 16, 2004


 Signature of Debtor or Officer

010/6007

McCarthy Tétrault LLP Received : 06/30/2004 07:45AM Pg 9/18
 06/30/2004 RECD 7:50 FAX


STATEMENT OF AFFAIRS (Sec 158)
IN THE MATTER OF THE PROPOSAL OF
CANADA PAYPHONE CORPORATION

HAVING ITS HEAD OFFICE AT 7664 KINGSWAY, BURNABY (BC) V3N 3C6, OPERATING AT 6889 REKWOOD RD, SUITE 1,
MISSISSAUGA (ONT) L4V 1R2 AND 3400 LOSH BLVD TOWER 4, SUITE 34, ST-HUBERT (QC) J3Y 5T6.

List 'A'
Unsecured Creditors

| No | Name | Address | Account No. | Amount of claim |
|----------------|------------------------------|---|-------------|------------------------|
| 60 | TelUs ADSL | Payment Processing P.O. Box 2210 Terminal Station Vancouver BC V6B 8P3 | | 1,223.00 |
| 61 | TelUs Op Services | P.O. Box 7575 Vancouver BC V6B 8N9 | | 27,853.00 |
| 62 | TelUs Op Services - Operator | Global Trading & Partner Sol 9C 10020 100 Street Edmonton AB T5J 0N5 | | 120,570.00 |
| 63 | Toronto Hydro | 5800 Yonge St. 2nd Floor Toronto Ont M2M 3T3 | 366382 | 81.00 |
| 64 | Vidéotron Ltée | 405 ave. Ogilvy 2e étage Montréal Qc H3N 2Y1 | | 91.00 |
| 65 | Ville de Magog | 7 Principale E. Magog Qc J1X 1Y4 | | 90.00 |
| 66 | Western Power Cable Jointing | 6245 Metral dr suite 56 Nanaimo BC V9T 3L9 | | 283.00 |
| 67 | WM Canada Waste | 117 Wentworth Court Brampton Ont L6T 5L4 | | 300.00 |
| "TOTAL" | | | | \$ 1,218,072.00 |

Dated: June 16, 2004


Signature of Debtor or Officer

010/01018

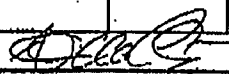
McCarthy Tétrault LLP Received : 06/30/2004 07:45AM * Pg 10/18 FAX 7:50 WED 06/30/2004

STATEMENT OF AFFAIRS (Sec 158)
IN THE MATTER OF THE PROPOSAL OF
CANADA PAYPHONE CORPORATION
 HAVING ITS HEAD OFFICE AT 7664 KINGSWAY, BURNABY (BC) V3N 3C6, OPERATING AT 6889 REXWOOD RD, SUITE 1,
 MISSISSAUGA (ONT) L4V 1R2 AND 3400 LOSE BLVD TOWER 4, SUITE 34, ST-HUBERT (QC) J3Y 5T6.

List 'B'
Secured Creditors

| No | Name & Address Nature of Claim Particulars of Security | Amount of Claim | When Given | Estimated Value of Security | Estimated Surplus from Security | Balance of Claim Unsecured |
|----|---|--------------------|---------------|-----------------------------------|---------------------------------------|----------------------------------|
| 1 | Equilease Corporation 235 Yorkland blvd suite 1102 Toronto Ont M2J 4Y8 Call card vending machines | Unknown | | 0.00 | 0.00 | 0.00 |
| 2 | Imperial Oil 111 St-Clair av W. suite 1106N Toronto Ont M5W 1K3 Deposit Against Lener of Credit | 90,000.00 | | 90,000.00 | 0.00 | 0.00 |
| 3 | Opcom Hospitality Solutions Inc. 5108D 47th Street Leduc AB T9E 6Y9 Telephones | 50,000.00 | | 5,000.00 | 0.00 | 45,000.00 |
| 4 | Global Access Communications 745 Seventh avenue New York NY 10019 Telephones | 137,000.00 | | 13,000.00 | 0.00 | 124,000.00 |
| | | 277,000.00 | | | | 169,000.00 |

Dated: June 16, 2004

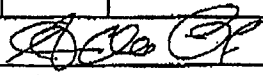

 Signature of Debtor or Officer

STATEMENT OF AFFAIRS (Sec 159)
IN THE MATTER OF THE PROPOSAL OF
CANADA PAYPHONE CORPORATION
 HAVING ITS HEAD OFFICE AT 7664 KINGSWAY, BURNABY (BC) V3N 3C6, OPERATING AT 6889 REXWOOD RD, SUITE 1,
 MISSISSAUGA (ONT) L4V 1R2 AND 3400 LOSH BLVD TOWER 4, SUITE 34, ST-HUBERT (QC) J3Y 5T6.

List 'D'
 Contingent or Other Liabilities

| No. | Name of Creditor or Claimant Address and Occupation | Amount of Liability or Claim | Amount Expected to Rank for Dividend | Date Liab Incurred Mo Yr | Nature of Liability |
|-----|---|------------------------------------|--|--------------------------------|---------------------|
| | Winfield, Ann (M) 6741 Cariboo Road Suite 107 Burnaby BC V3N 4A3 | 77 | 0.00 | | |
| | *TOTAL* | | 50.00 | | |

Dated: June 16, 2004


 Signature of Debtor or Officer


012/018

STATEMENT OF AFFAIRS (Sec 158)
IN THE MATTER OF THE PROPOSAL OF
CANADA PAYPHONE CORPORATION
 HAVING ITS HEAD OFFICE AT 7664 KINGSWAY, BURNABY (BC) V3N 3C6, OPERATING AT 6989 REXWOOD RD, SUITE 1,
 MISSISSAUGA (ONT) L4V 1R2 AND 3400 LOSE BLVD TOWER 4, SUITE 34, ST-HUBERT (QC) J3Y 5T6.

List 'E'
 Debts Due to the Estate

| No. | Name, Address & Occupation of Debtor | Nature of Debt Particulars of Security Folio Ledger for Particulars | Amount of Debt | | | Contracted Yr Mo | Estimated to Produce |
|---------|--------------------------------------|---|----------------|----------|------|---------------------|-------------------------|
| | | | Good | Doubtful | Bad | | |
| 1 | Accounts and other Receivables | | 85,000.00 | 0.00 | 0.00 | | 85,000.00 |
| *TOTAL* | | | | | | | \$ 85,000.00 |

Dated: June 16, 2004


 Signature of Debtor or Officer

013/018

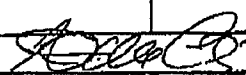
**STATEMENT OF AFFAIRS (Sec 158)
IN THE MATTER OF THE PROPOSAL OF
CANADA PAYPHONE CORPORATION**
HAVING ITS HEAD OFFICE AT 7664 KINGSWAY, BURNABY (BC) V3N 3C6, OPERATING AT 6889 REKWOOD RD, SUITE 1,
MISSISSAUGA (ONT) L4V 1R2 AND 3400 LOSH BLYD TOWER 4, SUITE 34, ST-HUBERT (QC) J3Y 5T6.

**List 'H'
Property**

Give full particulars of property of every description that is in the debtor's possession, or that may devolve on the debtor in accordance with section 67 of the act and that are not included in any other list.

| Nature of Property | Location Details of Property | Original Cost | Estimated to Produce |
|--|--|------------------|-------------------------|
| (a) Stock-in-Trade | Telephones, parts furniture and equipment | 77 | 5,000.00 |
| (b) Trade fixtures, etc. | | | NIL |
| (c) Cash in financial institutions | Cash in telephones | 77 | 80,000.00 |
| | Cash in bank | 77 | 15,000.00 |
| (d) Cash on hand | | | NIL |
| (e) Livestock | | | NIL |
| (f) Machinery, equipment and plant | Telephones (encumb.) | 77 | 5,000.00 |
| | Telephones (encumb.) | 77 | 13,000.00 |
| | telephones, office furniture, spare telephone parts, coin counting machines, electronic equipment | 77 | 350,000.00 |
| | Call card vending machines | 77 | 77 |
| (g) Furniture | | | NIL |
| (h) Life insurance policies, RRSPs, etc. | | | NIL |
| (i) Securities | | | NIL |
| (j) Interests under wills, etc. | | | NIL |
| (k) Vehicles | Geo Pick Up 1999 (2) | 77 | 5,000.00 |
| (l) Taxes | | | NIL |
| (m) Other property | Prepaid expenses and deposits | 77 | 30,000.00 |
| | Deposit Against Letter of Credit (encumb.) | 77 | 90,000.00 |
| *TOTAL* | | | \$ 613,000.00 |

Dated: June 16, 2004


Signature of Debtor or Officer

014/018

Affidavit #1 of Martin Rosenthal
Sworn: August 24, 2004

L 042146 NO. ●
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF SECTIONS 324 and 227(3) OF THE
BUSINESS CORPORATIONS ACT SBC 2002 C 57**

**IN THE MATTER OF CANADA PAYPHONE CORPORATION AND GLOBALIVE
COMMUNICATIONS INC. IN RELATION TO THE PROPOSAL OF
CANADA PAYPHONE CORPORATION UNDER THE
BANKRUPTCY AND INSOLVENCY ACT**

AFFIDAVIT

I, Martin Rosenthal, CA, CIRP, Senior Vice-President of Ernst & Young Inc., having an office at 1 Place Ville Marie, suite 2400, in Montreal, Quebec, H3B 3M9, SOLEMNLY DECLARE THAT:

1. I am a Senior Vice-President of Ernst & Young Inc., the Trustee in the matter of the proposal of Canada Payphone Corporation, and I have personal knowledge of the matters hereinafter deposed to, except where stated to be on information, and where so stated I believe them to be true.
2. Ernst & Young Inc. is the Trustee to the proposal that the Petitioner (the "Company") has made to its creditors under the Bankruptcy and Insolvency Act.
3. On April 8, 2004 the Company filed a Notice of Intention to Make a Proposal to its creditors. We understand that the Company's decision in this respect was at least partly triggered by Bell Canada threatening to cut service to the Company if it did not receive payment of the amounts owing to it by CPC. The Company apparently did not have sufficient resources to remit such payment to Bell Canada. Without the use of Bell Canada's telephone lines, the Company would not be able to operate.
4. Based on information given to me by various parties in the industry and by the Company's Management, the Company competes with generally much larger firms in a market that has been shrinking for a number of years. In my view survival in that market requires a certain minimum size and geographic market concentration. Based on information provided to us by Management, the Company has not been able to attain those characteristics. As a result I believe that, as a standalone business, it is moribund.

5. In order to avoid a forced liquidation of the Company, I understand that Management proceeded to identify alternatives to obtain new investments, such as obtaining additional equity investment from existing shareholders and identifying potential purchasers of CPC's assets and operations.
6. On August 20, 2004, pursuant to an order of the Quebec Superior Court, Ernst & Young Inc. was appointed Trustee to the amended proposal of CPC, thereby replacing the original Trustee to the proposal. CPC also filed with us on the same day the amended proposal which was then sent to all known creditors.
7. Management has advised us of its efforts to pursue an investment and/or purchaser and that numerous parties were contacted, but the only party with whom an agreement could be reached was Globalive Communications Inc. ("Globalive").
8. Should the transaction with Globalive be concluded, it would provide CPC with \$500,000 to fund its proposal to the creditors. Based on the statement of affairs prepared by the Company this would provide a dividend of \$0.20 - \$0.25 per dollar, prior to the payment of any costs of administration as set out in the proposal.
9. Should all of the terms and condition of the offer to invest submitted by Globalive not be accepted, we have been advised by Globalive that it would withdraw from the transaction, which could cause the Company to become bankrupt.
10. In the event of a forced liquidation of the Company's assets that may result should the Company become bankrupt, the realization is unknown. To our knowledge, the major creditors of the Company, who are in the best position to assess the value of the assets of the Company in view of the fact that they compete with the Company in this industry segment, have not contacted us or the former trustee, Appel & Cie. Inc., to indicate that the amount offered to the creditors is insufficient, which leads us to believe that the value of the assets is likely not higher than the amount of \$500,000 offered as a settlement to the creditors.
11. Furthermore, the costs that would be incurred during the realization process would be very high in view of the nature and location of the Company's assets.

SOLEMNLY DECLARED BEFORE ME at)
 the City of Montreal, in the Province of)
 Quebec this 24th day of August, 2004:)
 _____)
 A Commissioner for taking Affidavits for)
 Quebec)

 Martin Rosenthal



No. _____
Vancouver Registry**IN THE SUPREME COURT OF BRITISH COLUMBIA**IN THE MATTER OF SECTIONS 324 and 227(3) OF THE
*BUSINESS CORPORATIONS ACT SBC 2002 C 57*IN THE MATTER OF CANADA PAYPHONE CORPORATION AND GLOBALIVE
COMMUNICATIONS INC. IN RELATION TO THE PROPOSAL OF
CANADA PAYPHONE CORPORATION UNDER THE
*BANKRUPTCY AND INSOLVENCY ACT***NOTICE OF HEARING OF PETITION**

TO: the holders of shares in the Petitioner, and the holders of stock options, exchange rights, convertible securities and warrants in relation to the Petitioner

TAKE NOTICE that this Petition will be heard by the presiding Judge in chambers at the courthouse at 800 Smithe Street, Vancouver, British Columbia on Friday, August 27, 2004 at the hour of 2:00 p.m.

It is not known whether the hearing of this Petition will be contentious.

The Petitioner estimates that the hearing will take one hour.

This matter is not within the jurisdiction of the master because a final order is sought by the Petitioner.

Dated: August 25, 2004



Solicitor for the Petitioner

This NOTICE OF HEARING was prepared by Hein Poulus, Q.C. of the law firm Stikeman Elliott LLP whose place of business is Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8.