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MEMORANDUM

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TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

DATE: October 21, 2003

RE: IN THE MATTER OF THE APPLICATION OF BCE NEXXIA CORPORATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE FACILITIES-BASED INTEREXCHANGE SERVICES AND PETITION FOR COMPETITIVE CLASSIFICATION OF PROPOSED SERVICES WITHIN THE STATE OF ARIZONA (DOCKET NO. T-04200A-03-0550)

Attached is the Staff Report for the above referenced application. The Applicant is applying for approval to provide the following services:

- Facilities-based interexchange services

Staff is recommending approval of the application.

/ajl

Originator: Adam Lebrecht

Attachment: Original and Ten Copies

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Arizona Corporation Commission
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STAFF REPORT

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

BCE NEXXIA CORPORATION

DOCKET NO. T-04200A-03-0550

IN THE MATTER OF THE APPLICATION OF BCE NEXXIA CORPORATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE FACILITIES-BASED INTEREXCHANGE SERVICES AND PETITION FOR COMPETITIVE CLASSIFICATION OF PROPOSED SERVICES WITHIN THE STATE OF ARIZONA

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STAFF ACKNOWLEDGMENT

The Staff Report for BCE Nexxia Corporation, Docket No. T-04200A-03-0550, was the responsibility of the Staff member listed below. Adam Lebrecht was responsible for the review and analysis of the Applicant's application for a Certificate of Convenience and Necessity to provide facilities-based interexchange services; and petition for a determination that its proposed services should be classified as competitive.

Adam Lebrecht
Executive Consultant I

1. INTRODUCTION

On August 5, 2003, BCE Nexxia Corporation ("BCE" or "Applicant") filed an application for a Certificate of Convenience and Necessity ("CC&N") to provide facilities-based interexchange services within the State of Arizona. The Applicant petitioned the Arizona Corporation Commission ("Commission") for a determination that its proposed services should be classified as competitive.

Staff's review of this application addresses the overall fitness of the Applicant to receive a CC&N. Staff's analysis also considers whether the Applicant's services should be classified as competitive and if the Applicant's initial rates are just and reasonable.

2. THE APPLICANT'S APPLICATION FOR A CERTIFICATE OF CONVENIENCE & NECESSITY

This section of the Staff Report contains descriptions of the geographic market to be served by the Applicant, the requested services, and the Applicant's technical and financial capability to provide the requested services. In addition, this section contains the Staff evaluation of the Applicant's proposed rates and charges and Staff's recommendation thereon.

2.1 DESCRIPTION OF THE GEOGRAPHIC MARKET TO BE SERVED

BCE seeks authority to provide telecommunications services throughout the State of Arizona.

2.2 DESCRIPTION OF REQUESTED SERVICES

BCE proposes to provide facilities-based interexchange services.

2.3 THE ORGANIZATION

BCE is incorporated under the laws of the State of Delaware and has authority to transact business in Arizona.

2.4 TECHNICAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES

BCE will conduct its operations using Bell Canada Enterprises Inc.'s staff of 66,266 employees.

2.5 FINANCIAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES

The Applicant did provide unaudited financial statements for the twelve (12) months ending December 31, 2002. These financial statements list assets of $101 million; equity of $87 million; and a net loss of $10 million. The Applicant did not provide notes related to the financial statements. Also, the Applicant did state in its Application that it will rely on its ultimate Parent Company, Bell Canada Enterprises, Inc. for financial support.

The Applicant stated in its Tariff (reference Section 2.7.4 on page 23) that it does not collect from its customers an advance, deposit, and/or prepayment. Staff believes that a bond is not needed to provide interexchange service. If at some future date, the Applicant wants to collect from its customers an advance, deposit, and/or prepayment, Staff recommends that the Applicant be required to file an application with the Arizona Corporation Commission ("Commission") for Commission approval. Such application must reference the decision in this docket and must explain the applicant's plans for procuring a performance bond.

If this Applicant experiences financial difficulty, there should be minimal impact to its customers because there are many companies that provide resold interexchange telecommunications services or the customers may choose another facilities-based provider. If the customer wants service from a different provider immediately, that customer is able to dial a 101XXXX (dial around) access code.

2.6 ESTABLISHING RATES AND CHARGES

The Applicant would initially be providing service in areas where both resold and other facilities based interexchange carriers are providing telephone service. Therefore, the Applicant would have to compete with those providers in order to obtain subscribers to its services. The Applicant would be a new entrant and would face competition from competitive providers in offering service to its potential customers. Therefore, the Applicant would generally not be able to exert market power. Thus, the competitive process should result in rates that are just and reasonable.

Both an initial rate (the actual rate to be charged) and a maximum rate must be listed for each competitive service offered, provided that the rate for the service is not less than the Company's total service long-run incremental cost of providing the service pursuant to A.A.C. R14-2-1109.

The rates proposed by this filing are for competitive services. In general, rates for competitive services are not set according to rate of return regulation. Staff obtained information from the company and has determined that its fair value rate base is zero. Accordingly, the company's fair value rate base is too small to be useful in a fair value analysis. In addition, the rate to be ultimately charged by the company will be heavily influenced by the market. Therefore, while Staff considered the fair value rate base information submitted by the company, it did not accord that information substantial weight in its analysis.

3. COMPETITIVE SERVICES ANALYSIS

The Applicant has petitioned the Commission for a determination that the services it is seeking to provide should be classified as competitive. The Applicant has published legal notice of the application in all counties in which it requests authorization to provide service. The Applicant has certified that all notification requirements have been completed. Staff's analysis and recommendations are discussed below.

3.1 COMPETITIVE SERVICES ANALYSIS FOR INTEREXCHANGE SERVICES

3.1.1 A description of the general economic conditions that exist, which makes the relevant market for the service one that, is competitive.

The interexchange market that the Applicant seeks to enter is one in which numerous facilities-based and resold interexchange carriers have been authorized to provide service throughout the State. The Applicant will be a new entrant in this market and, as such, will have to compete with those companies in order to obtain customers.

3.1.2 The number of alternative providers of the service.

There are a large number of facilities-based and resold interexchange carriers providing both interLATA and intraLATA interexchange service throughout the State. In addition, various ILECs provide intraLATA interexchange service in many areas of the State.

3.1.3 The estimated market share held by each alternative provider of the service.

The large facilities-based interexchange carriers (AT&T, Sprint, MCI WorldCom, etc.) hold a majority of the interLATA interexchange market, and the ILECs provide a large portion of the intraLATA interexchange market. Numerous other interexchange carriers have a smaller part of the market and one in which new entrants do not have a long history with any customers.

3.1.4 The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications Applicant, as defined in A.A.C. R14-2-801.

None.

3.1.5 **Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the service(s).**

The interexchange service market is:

a. One with numerous competitors and limited barriers to entry.

b. One in which established interexchange carriers have had an existing relationship with their customers that the new entrants will have to overcome if they want to compete in the market.

c. One in which the Applicant will not have the capability to adversely affect prices or restrict output to the detriment of telephone service subscribers.

4. RECOMMENDATIONS

The following sections contain the Staff recommendations on the Applicant's Application for a CC&N and the Applicant's Petition for a Commission Determination that its Proposed Services Should be Classified as Competitive.

4.1 RECOMMENDATIONS ON THE APPLICANT'S APPLICATION FOR A CC&N

BCE is incorporated under the laws of the State of Delaware. BCE has demonstrated that it has the capability to provide its proposed services, as requested, and the provision of these would merely be an extension of its current activities in Canada. Therefore, Staff recommends that the Applicant's application for a CC&N to provide intrastate telecommunications services, as listed in Section 2.2 of this Report, be granted. In addition, Staff further recommends:

1. The Applicant should be ordered to comply with all Commission rules, orders, and other requirements relevant to the provision of intrastate telecommunications service;

2. The Applicant should be ordered to maintain its accounts and records as required by the Commission;

3. The Applicant should be ordered to file with the Commission all financial and other reports that the Commission may require, and in a form and at such times as the Commission may designate;

4. The Applicant should be ordered to maintain on file with the Commission all current tariffs and rates, and any service standards that the Commission may require;

5. The Applicant should be ordered to comply with the Commission's rules and modify its tariffs to conform to these rules if it is determined that there is a conflict between the Applicant's tariffs and the Commission's rules;

6. The Applicant should be ordered to cooperate with Commission investigations including but not limited to customer complaints;

7. The Applicant should be ordered to participate in and contribute to a universal service fund, as required by the Commission;

8. The Applicant should be ordered to notify the Commission immediately upon changes to the Applicant's address or telephone number;

9. If at some future date, the Applicant wants to collect from its interexchange customers an advance, deposit, and/or prepayment, Staff recommends that the Applicant be required to file an application with the Commission for Commission approval. Such application must reference the decision in this docket and must explain the applicant's plans for procuring a performance bond;

10. The Applicant's intrastate interexchange service offerings should be classified as competitive pursuant to AAC R14-2-1108;

11. The maximum rates for these services should be the maximum rates proposed by the Applicant in its proposed tariffs. The minimum rates for the Applicant's competitive services should be the Applicant's total service long run incremental costs of providing those services as set forth in AAC R14-2-1109;

12. In the event that the Applicant states only one rate in its proposed tariff for a competitive service, the rate stated should be the effective (actual) price to be charged for the service as well as the service's maximum rate;

13. The rates proposed by this filing are for competitive services. In general, rates for competitive services are not set according to rate of return regulation. Staff obtained information from the company and has determined that its fair value rate base is zero. Accordingly, the company's fair value rate base is too small to be useful in a fair value analysis. In addition, the rate to be ultimately charged by the company will be heavily influenced by the market. Therefore, while Staff considered the fair value rate base information submitted by the company, the fair value information provided should not be given substantial weight in this analysis.

Staff recommends that the Applicant be ordered to comply with the following. If it does not do so, the Applicant's CC&N shall be null and void without further order of the Commission and no time extensions shall be granted.

1. The Applicant shall file conforming tariffs for each of its CC&Ns within 365 days

from the date of an Order in this matter or 30 days prior to providing service, whichever comes first, and in accordance with the Decision; and

4.2 RECOMMENDATION ON THE APPLICANT'S PETITION TO HAVE ITS PROPOSED SERVICES CLASSIFIED AS COMPETITIVE

Staff believes that the Applicant's proposed services should be classified as competitive. There are alternatives to the Applicant's services. The Applicant will have to convince customers to purchase its services, and the Applicant has no ability to adversely affect the interexchange service markets. Therefore, the Applicant currently has no market power in the interexchange service markets where alternative providers of telecommunications services exist. Staff therefore recommends that the Applicant's proposed services be classified as competitive.

SERVICE LIST FOR: BCE NEXXIA, CORP
DOCKET NO. T-04200A-03-0550

Matthew Vitale
Coudert Brother, LLP
1627 I Street, N.W.
Washington, D.C. 20006-4007

Mr. Ernest G. Johnson
Arizona Corporation Commission
Utilities Division
1200 West Washington
Phoenix, Arizona 85007

Mr. Christopher C. Kempley
Arizona Corporation Commission
Legal Division
1200 West Washington
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief Administrative Law Judge
Arizona Corporation Commission
Hearing Division
1200 West Washington
Phoenix, Arizona 85007

NEW APPLICATION

COUDERT BROTHERS LLP
ATTORNEYS AT LAW

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August 4, 2003 T-04200A-03-0550

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Arizona Corporation Commission
1200 W. Washington St.,
Phoenix, AZ 85007-2927

Re: BCE Nexxia Corporation;
Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate Telecommunications Service

Dear Sir or Madam:

On behalf of BCE Nexxia Corporation ("BCE Nexxia"), please find enclosed for filing in the above-referenced docket an original plus ten (10) copies of its Application for a Certificate of Public Convenience and Necessity to Provide Intrastate Telecommunications Services in the State of Arizona.

Please file-stamp and return the extra copy of this filing in the pre-addressed, stamped envelope provided for this purpose.

Kindly direct any questions concerning this matter to the undersigned.

Regards,

Matthew Vitale

William K. Coulter
Matthew Vitale
Counsel for BCE Nexxia Corporation

Enclosures

EXHIBIT
A-1

WASHINGTON 368072v1

Arizona Corporation Commission
Docket Control Center
Filings Cover Sheet

Company/Case Name BCE Nexxia Corporation
Doing Business As (d/b/a) ______
Docket Number (s) ______

Description of Document or Nature of Action

Please choose the item that best describes the nature of the case/filing.

UTILITIES – NEW APPLICATION

- [✓] New CC&N
- [ ] Rates
- [ ] Interim Rates
- [ ] Cancellation of CC&N
- [ ] Deletion of CC&N
- [ ] Extension of CC&N
- [ ] Tariff (NEW)
- [ ] Request for Arbitration
- [ ] *Full or Partially Arbitrated* Interconnection Agreement
- [ ] Voluntary Interconnection Agreement
- [ ] Miscellaneous - Specify: ______
- [ ] Main Extension
- [ ] Contract/Agreements
- [ ] Formal Complaint
- [ ] Waiver/Rule Variance
- [ ] Line Siting Committee Case
- [ ] Small Water Company – Surcharge
- [ ] Sale of Assets & Transfer of Ownership
- [ ] Sale of Assets & Cancellation of CC&N
- [ ] Fuel Adjuster/PGA
- [ ] Merger
- [ ] Financing

UTILITIES – REVISIONS/AMENDMENTS TO PENDING OR APPROVED MATTERS

- [ ] Application:

Company ______
Docket Number ______

- [ ] Tariff: (Promotional or Compliance) (Circle One)

Decision No. ______
Docket No: ______

SECURITIES or MISCELLANEOUS FILINGS

- [ ] Affidavit (Publication, Public Notice)
- [ ] Comments
- [ ] Exception
- [ ] Exhibit(s)
- [ ] Notice of Appearance/Intent
- [ ] Notice of Errata
- [ ] Opposition
- [ ] Petition

Other: ______

- [ ] Request/Motion for Extension of Time
- [ ] Request/Motion for a Hearing
- [ ] Request/Motion for an Intervention
- [ ] Miscellaneous Request/Motion
- [ ] Request/Motion for a Re-hearing
- [ ] Request/Motion to Continue Hearing
- [ ] Request/Motion to Strike
- [ ] Response
- [ ] Testimony
- [ ] Waiver
- [ ] Witness List

______
Date

William K.Coulter, Counsel for Applicant
Please print the name of the person whose signature appears on the filing (i.e. Contact Person, Respondent, Attorney, Applicant , etc.)

ARIZONA CORPORATION COMMISSION

Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate Telecommunications Services

Mail original plus 10 copies of completed application to:

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

For Docket Control Only:
(Please Stamp Here)

Please indicate if you have current applications pending in Arizona as an Interexchange reseller, AOS provider, or as the provider of other telecommunication services.

Type of Service: ______________________________

Docket No.: ____________ Date: ____________ Date Docketed: ______________________

Type of Service: ______________________________

Docket No.: ____________ Date: ____________ Date Docketed: ______________________

A. COMPANY AND TELECOMMUNICATION SERVICE INFORMATION

(A-1) Please indicate the type of telecommunications services that you want to provide in Arizona and answer the appropriate numbered items:

- [ ] Resold Long Distance Telecommunications Services (Answer Sections A, B, C).
- [ ] Resold Local Exchange Telecommunications Services (Answer Sections A, B, C).
- [x] Facilities-Based Long Distance Telecommunications Services (Answer Sections A, B, D).
- [ ] Facilities-Based Local Exchange Telecommunications Services (Answer Sections A, B, D, E)
- [ ] Alternative Operator Services Telecommunications Services (Answer Sections A, B)

(A-2) The name, address, telephone number (including area code), facsimile number (including area code), e-mail address, and World Wide Web address (if one is available for consumer access) of the Applicant:

BCE Nexxia Corporation
1000 de la Gauchetiere Ouest, Floor 41
Montreal, Quebec Canada H3B 58H
Tel: 514-870-4637; Fax: 514-870-4877; http://www.bellnexxia.com

(A-3) The d/b/a ("Doing Business As") name if the Applicant is doing business under a name different from that listed in Item (A-2):

(A-4) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Management Contact:

David C. Kidd, Vice President Regulatory Law
Bell Canada, 105 Hotel de Ville, Room 600S
Hull, Quebec J8X 4H7 Canada
Tel: 819-773-5807; Fax: 819-773-6158

(A-5) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Attorney and/or Consultant:

William K. Coulter and Matthew Vitale
Coudert Brothers LLP, 1627 I St., N.W., Washington, D.C. 20006
Tel: 202-775-5100; Fax: 202-775-1168; E-mail: coulterw@coudert.com
E-mail: vitalem@coudert.com

(A-6) The name, address, telephone number (including area code), facsimile number (including area code), E-mail address of the Applicant's Complaint Contact Person:

Gail D. Veary, Director
Canadian Global Service Center, Bell Canada
110 O'Connor Street, Ottawa Ontario K1P 1H1 Canada
Tel: 888-897-2272; Fax: 613-660-2911; E-mail: gail.veary@bell.ca

(A-7) What type of legal entity is the Applicant?

☐ Sole proprietorship

☐ Partnership: ____ Limited, ____ General, ____ Arizona, ____ Foreign

☐ Limited Liability Company: ____ Arizona, ____ Foreign

☑ Corporation: ____ "S", ____ "C", ____ Non-profit, ____ Arizona, ☑ Foreign

☐ Other, specify: ______________________

(A-8) Please include "Attachment A":

Attachment "A" must include the following information:

1. A copy of the Applicant's Certificate of Good Standing as a domestic or foreign corporation, LLC, or other entity in the State of Arizona.
2. A list of the names of all owners, partners, limited liability company managers (or if a member managed LLC, all members), or corporation officers and directors (specify).
3. Indicate percentages of ownership.

See Exhibit A.

(A-9) Include your Tariff as "Attachment B".

Your Tariff must include the following information:

1. Proposed Rates and Charges for each service offered (reference by Tariff page number).
2. Tariff Maximum Rate and Prices to be Charged (reference by Tariff page number).
3. Terms and Conditions Applicable to provision of Service (reference by Tariff page number).
4. Deposits, Advances, and/or Prepayments Applicable to provision of Service (reference by Tariff page number).
5. The proposed fee that will be charged for returned checks (reference by Tariff page number).

See Exhibit B.

(A-10) Indicate the geographic market to be served:

☑ Statewide. (Applicant adopts statewide map of Arizona provided with this application).

☐ Other. Describe and provide a detailed map depicting the area.

(A-11) Indicate if the Applicant has been or if the Applicant is currently involved in any formal or informal complaint proceedings pending before any State or federal Regulatory Commission:

☐ Yes ☑ No

If "Yes", please provide the following information:

1. States in which the Applicant has been or is involved in proceedings.
2. Detailed explanations of the Substance of the Complaints.
3. Commission Orders that resolved any and all Complaints.
4. Actions taken by the Applicant to remedy and/or prevent the Complaints from re-occurring.

(A-12) Indicate if the Applicant has been or is currently involved in any civil or criminal investigations AND/OR had judgment entered against it in any civil matter or been convicted of any criminal acts related to the delivery of telecommunications services within the last five (5) years:

☐ Yes ☑ No

If "Yes", please provide the following information.

1. States involved in the judgments and/or convictions.
2. Reasons for the investigation and/or judgment.
3. Copy of the Court order, if applicable.

(A-13) Indicate if the Applicant's customers will be able to access alternative toll service providers or resellers via 1+101XXXX access.

☐ Yes ☑ No

Applicant does not intend to provide presubscribed voice services.

(A-14) Is applicant willing to post a Performance Bond? Please check appropriate box(s).

☐ For Long Distance Resellers, a $10,000 bond will be recommended for those resellers who collect advances, prepayments or deposits.

☐ Yes ☑ No

If "No", continue to question (A-15).

☐ For Local Exchange Resellers, a $25,000 bond will be recommended.

☐ Yes ☑ No

If "No", continue to question (A-15).

☐ For Facilities-Based Providers of Long Distance, a $100,000 bond will be recommended.

☐ Yes ☑ No

If "No", continue to question (A-15).

☐ For Facilities-Based Providers of Local Exchange, a $100,000 bond will be recommended.

☐ Yes ☑ No

If "No", continue to question (A-15).

Note: Amounts are cumulative if the Applicant is applying for more than one type of service.

(A-15) If No to any of the above, provide the following information. Clarify and explain the Applicant's deposit policy (reference by tariff page number). Provide a detailed explanation of why the applicant's superior financial position limits any risk to Arizona consumers.

Applicant will not collect deposits or advance payments from customers for services in Arizona.

(A-16) Submit copies of affidavits of publication that the Applicant has, as required, published legal notice of the Application in all counties where the services will be provided.

Prior to issuance of the CC&N, the Applicant must complete and submit an Affidavit of Publication Form. Refer to Attachment C - Legal Notice Material (Newspaper Information, Sample Legal Notice and Affidavit of Publication). See Exhibit C.

(A-17) Indicate if the Applicant is a switchless reseller of the type of telecommunications services that the Applicant will or intends to resell in the State of Arizona:

☐ Yes ☑ No

If "Yes", provide the name of the company or companies whose telecommunications services the Applicant resells.

(A-18) List the States in which the Applicant has had an application approved or denied to offer telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona:

None.

(A-19) List the States in which the Applicant currently offers telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona.

None.

(A-20) List the names and addresses of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R14-2-801.

See Exhibit E.

B. FINANCIAL INFORMATION

(B-1) Indicate if the Applicant has financial statements for the two (2) most recent years.

☐ Yes ☑ No

If "No," explain why and give the date on which the Applicant began operations.

Applicant does not currently have audited financial statements. Although the Company was incorporated in 1998, it has only recently commenced operations in the United States.

(B-2) Include "Attachment D".

Provide the Applicant's financial information for the two (2) most recent years.

1. A copy of the Applicant's balance sheet.
2. A copy of the Applicant's income statement.
3. A copy of the Applicant's audit report. See Exhibit D.

4. A copy of the Applicant's retained earnings balance.

5. A copy of all related notes to the financial statements and information.

(B-3) Indicate if the Applicant will rely on the financial resources of its Parent Company, if applicable.

Yes, Applicant is controlled by Bell Canada Enterprises Inc., the largest telecommunications company in Canada.

(B-4) The Applicant must provide the following information.

1. Provide the projected total revenue expected to be generated by the provision of telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval. Adjusted revenues may be calculated as the number of units sold times the maximum charge per unit.
2. Provide the operating expenses expected to be incurred during the first twelve months of providing telecommunications services to Arizona customers following certification.
3. Provide the net book value (original cost less accumulated depreciation) of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers at the end of the first twelve months of operation. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.
4. If the projected value of all assets is zero, please specifically state this in your response.
5. If the projected fair value of the assets is different than the projected net book value, also provide the corresponding projected fair value amounts.

See Exhibit F.

C. RESOLD LONG DISTANCE AND/OR LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(C-1) Indicate if the Applicant has a resale agreement in operation

☐ Yes ☑ No

If "Yes", please reference the resale agreement by Commission Docket Number or Commission Decision Number.

D. FACILITIES-BASED LONG DISTANCE AND/OR FACILITIES BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(D-1) Indicate if the Applicant is currently selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services in the State of Arizona. This item applies to an Applicant requesting a geographic expansion of their CC&N:

☐ Yes ☑ No

If "Yes," provide the following information:

1. The date or approximate date that the Applicant began selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services for the State of Arizona.
2. Identify the types of facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services that the Applicant sells in the State of Arizona.

If "No," indicate the date when the Applicant will begin to sell facilities-based long distance telecommunications AND/OR facilities-based local exchange telecommunications services in the State of Arizona:

Upon authorization.

(D-2) Check here if you wish to adopt as your petition a statement that the service has already been classified as competitive by Commission Decision:

- [ ] Decision # 64178 Resold Long Distance
- [ ] Decision # 64178 Resold LEC
- [x] Decision # 64178 Facilities Based Long Distance
- [ ] Decision # 64178 Facilities Based LEC

E. FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(E-1) Indicate whether the Applicant will abide by the quality of service standards that were approved by the Commission in Commission Decision Number 59241: N/A.

- [ ] Yes
- [ ] No

(E-2) Indicate whether the Applicant will provide all customers with 911 and E911 service, where available, and will coordinate with incumbent local exchange carriers ("ILECs") and emergency service providers to provide this service: N/A.

- [ ] Yes
- [ ] No

(E-3) Indicate that the Applicant's switch is "fully equal access capable" (i.e., would provide equal access to facilities-based long distance companies) pursuant to A.A.C. R14-2-1111 (A): N/A.

- [ ] Yes
- [ ] No

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county, and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona state law including the Arizona Corporation Commission Rules. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

Martine Turcotte

(Signature of Authorized Representative)

11-07-2003

(Date)

Martine Turcotte

(Print Name of Authorized Representative)

Secretary

(Title)

SUBSCRIBED AND SWORN to before me this 11 day of July, 2003

NOTARY PUBLIC Tracie-Lynn Phillips

My Commission Expires April 14, 2006

COMMISSIONER FOR OATHS
TRACIE-LYNN PHILLIPS
139.448
FOR ALL JUDICIAL DISTRICTS OF QUEBEC AND FOR THE EXTERIOR OF QUEBEC

EXHIBIT A

BCE Nexxia Corporation
Directors and Officers

Officers:

Richard J. Mannion, President & CEO
BCE Nexxia Corporation
1000 de La Gauchetiere Street West
Montreal, Quebec
H3B 5H8 Canada
Tel: 514-870-8891
Fax: 514-870-2008

Martine Turcotte, Secretary
BCE Nexxia Corporation
1000 de La Gauchetiere Street West
Montreal, Quebec
H3B 5H8 Canada
Tel: 514-870-4637
Fax: 514-870-4877

Directors:

Richard J. Mannion, Director
(same as above)

Martine Turcotte, Director
(same as above)

Thomas R. Anderson, Director
BCE Nexxia Corporation
1600 Bausch & Lomb Place
Rochester, NY 14604
Tel: 585-232-6500
Fax: 585-232-2152

Gary L. Karl, Director
BCE Nexxia Corporation
1600 Bausch & Lomb Place
Rochester, NY 14604
Tel: 585-232-6500
Fax: 585-232-2152

Michael R. McEvoy, Director
BCE Nexxia Corporation
1600 Bausch & Lomb Place
Rochester, NY 14604
Tel: 585-232-6500
Fax: 585-232-2152

[illegible]rect Owner of BCE Nexxia Corpora[illegible]n

100% ownership

3522024 Canada, Inc.
c/o Bell Canada
Bureau 4100
1000 de La Gauchetiere Street West
Montreal, Quebec H3B 5H8 Canada
Tel: 514-870-4637

ARIZONA CORPORATION COMMISSION

BRIAN C. MCNEIL
Executive Secretary

JOANNE C. MACDONNELL
Director, Corporations Division

March 29, 2003

CAPITOL DOCUMENT SERVICES
PO BOX 13461
PHOENIX, AZ 85002

RE: BCE NEXXIA CORPORATION
File Number: F-1070885-0

We are pleased to notify you that your Application for Authority to transact business in Arizona was approved and filed on March 26, 2003.

You must publish a copy of your Application for Authority. The publication must be in a newspaper of general circulation in the county of the known place of business in Arizona, as filed with the Commission for three (3) consecutive publications. An affidavit from the newspaper, evidencing such publication, must be delivered to the Commission for filing WITHIN NINETY (90) DAYS from the date of this letter.

All corporations transacting business in Arizona are required to file an Annual Report with the Commission, on the anniversary of the E date of incorporation. Each year, a preprinted Annual Report form will be mailed to the corporation's known place of business approximately two months prior to the due date of the report. Should the report fail to arrive, contact the Commission. It is imperative that corporations notify the Commission immediately (in writing) if they change their corporate address, statutory agent or agent address. Address change orders must be executed (signed) by a corporate officer. Postal forwarding orders are not sufficient.

The Commission strongly recommends that you periodically check Commission records regarding the corporation. The Commission web site www.cc.state.az.us/corp contains information specific to each corporation of record and is a good general source of information.

If you have any questions or need further information, please contact us at (602) 542-3135 in Phoenix, (520) 628-6560 in Tucson, or Toll Free (Arizona residents only) at 1-800-345-5819.

Sincerely,
MARY BAINES
Examiner
Corporations Division

CF:07, Rev: 01/2003

ARIZONA CORPORATION COMMISSION
CORPORATIONS DIVISION

Phoenix Address: 1300 West Washington
Phoenix, Arizona 85007-2929

Tucson Address: 400 West Congress
Tucson, Arizona 85701-1347

PROFIT
CERTIFICATE OF DISCLOSURE
A.R.S. §10-202.D

BCE Nexxia Corporation
EXACT CORPORATE NAME

A. Has any person serving either by election or appointment as officer, director, trustee, incorporator and persons controlling or holding over 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:

1. Been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate?
2. Been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraint of trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate?
3. Been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate wherein such injunction, judgment, decree or permanent order:
   (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction?; or
   (b) Involved the violation of the consumer fraud laws of that jurisdiction?; or
   (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction?

Yes ☐ No ☑

B. IF YES, the following information MUST be attached:

1. Full name, prior name(s) and aliases, if used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

C. Has any person serving as an officer, director, trustee or incorporator of the corporation served in any such capacity or held or controlled over 20% of the issued and outstanding common shares, or 20% of any other proprietary, beneficial or membership interest in any corporation which has been placed in bankruptcy, receivership or had its charter revoked, or administratively or judicially dissolved by any state or jurisdiction?

Yes ☐ No ☑

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

1. Name and address of the corporation.
2. Full name (including aliases) and address of each person involved.
3. State(s) in which the corporation:
   (a) Was incorporated. (b) Has transacted business.
4. Dates of corporate operation.
5. Date and case number of Bankruptcy or date of revocation/administrative dissolution.

D. The fiscal year end adopted by the corporation is Dec. 31st.

Under penalties of law, the undersigned incorporator(s)/officer(s) declare(s) that I(we) have examined this Certificate, including any attachments, and to the best of my(our) knowledge and belief it is true, correct and complete, and hereby declare as indicated above. THE SIGNATURE(S) MUST BE DATED WITHIN THIRTY (30) DAYS OF THE DELIVERY DATE.

BY M. Turcotte BY ______

PRINT NAME Martine Turcotte PRINT NAME ______

TITLE Secretary DATE 3/26/03 TITLE ______ DATE ______

DOMESTIC CORPORATIONS: ALL INCORPORATORS MUST SIGN THE INITIAL CERTIFICATE OF DISCLOSURE. If within sixty days, any person becomes an officer, director, trustee or person controlling or holding over 10% of the issued and outstanding shares or 10% of any other proprietary, beneficial, or membership interest in the corporation and the person was not included in this disclosure, the corporation must file an AMENDED certificate signed by at least one duly authorized officer of the corporation.

FOREIGN CORPORATIONS: MUST BE SIGNED BY AT LEAST ONE DULY AUTHORIZED OFFICER OF THE CORPORATION.
CF: 0022 - Business Corporations
Rev: 3/00

DO NOT PUBLISH THIS SECTION

1. The corporate name must contain a corporate ending which may be "corporation," "association," "company," "limited," "incorporated" or an abbreviation of any of these words. If you are the holder or assignee of a tradename or trademark, attach Declaration of Tradename Holder form. If your name is not available for use in Arizona, you must adopt a fictitious name and provide a resolution adopting the name, which must be executed by the corporation Secretary.

3. You must provide the total duration in years for which your corporation was formed to endure. If perpetual succession, so indicate in this section. Do not leave blank, or state not applicable.

5. The statutory agent must provide both a physical and mailing address. If statutory agent has a P.O. Box, then they must also provide a physical description of their street address/location.

EXPEDITED
AZ CORP. COMMISSION
DELIVERED

MAR 26 2003

FILED BY Mary Baines
TERM
DATE 3/26/03
F-1070885-0

APPLICATION FOR AUTHORITY TO TRANSACT BUSINESS IN ARIZONA

The name of the corporation is: BCE Nexxia Corporation.

A(n) Delaware Corporation
(State, Province or Country)

✔ We are a foreign corporation applying for authority to transact business in the state of Arizona.

___ We are a foreign corporation currently authorized to transact business in Arizona and must now file this Application for New Authority pursuant to A.R.S. § 10-1504 because we have changed the following in our domicile jurisdiction:

G Our actual corporate name (or the name under which we originally obtained authority in Arizona).
G The period of our duration.
G The state, province or country of our incorporation.

1. The exact name of the foreign corporation is:

BCE Nexxia Corporation.

If the exact name of the foreign corporation is not available for use in this state, then the fictitious name adopted for use by the corporation in Arizona is:

N/A. (FN).

2. The name of the state, province or country in which the foreign corporation is incorporated is:

Delaware.

3. The foreign corporation was incorporated on the 15 day of December, 1998 and the period of its duration is: perpetual.

4. The street address of the principal office of the foreign corporation in the state, province or country of its incorporation is:

1000 de La Gauchetiere Street West, Bureau 4100
Montreal, Quebec, H3B 5H8 Canada

5. The name and street address of the statutory agent for the foreign corporation in Arizona is:

LexisNexis Document Solutions Inc.
815 N 1st Avenue, Suite 4
Phoenix, AZ 85003

DO NOT PUBLISH THIS SECTION

5.a. The street address of the known place of business of the foreign corporation in Arizona IF DIFFERENT from the street address of the statutory agent is:

N/A.

5.b. Indicate to which address the Annual Report should be mailed.

5.b. The Annual Report and general correspondence should be mailed to the address specified above in section 4 ✔ or 5a ______.

6. If the purpose of your corporation has any limitations with regard to this section, so indicate. If not, state no limitations or leave blank.

6. The purpose of the corporation is to engage in any and all lawful business in which corporations may engage in the state, province or country under whose law the foreign corporation is incorporated, with the following limitations if any:

None.

7. The names and usual business addresses of the current directors and officers of the foreign corporation are: (Attach additional sheets if necessary.)

Name: See Attachment A. ______ [title]

Address: ______

City, State, Zip: ______

Name: ______ [title]

Address: ______

City, State, Zip: ______

Name: ______ [title]

Address: ______

City, State, Zip: ______

8. The total number of authorized shares cannot be "zero" or "N/A". Include authorized, not issued shares in this section.

8. The foreign corporation is authorized to issue 20,000 shares, itemized as follows: (Attach additional sheets if necessary.)

20,000 shares of common [class or series] stock at x no par value or par value of $______ per share.

______ shares of ______ [class or series] stock at ______ no par value or par value of $______ per share.

______ shares of ______ [class or series] stock at ______ no par value or par value of $______ per share.

DO NOT PUBLISH THIS SECTION

9. The total number of issued shares cannot be "N/A".

The Application must be accompanied by the following: A Certificate of Disclosure, executed within 30 days of delivery to the Commission, by a duly authorized officer

Attach a certified copy of your articles of incorporation, all amendments and mergers (AZ Const. Art. XIV, §8) and a certificate of existence or document of similar import duly authenticated (within 60 days) by the official having custody of corporate records in the state, province or country under whose laws the corporation is incorporated.

The agent must consent to the appointment by executing the consent.

9. The foreign corporation has issued 1,430.221 shares, itemized as follows:

1,430.221 shares of common [class or series] stock at x no par value or par value of $ ______ per share.

______ shares of ______ [class or series] stock at ______ no par value or par value of $ ______ per share.

______ shares of ______ [class or series] stock at ______ no par value or par value of $ ______ per share.

10. The character of business the foreign corporation initially intends to conduct in Arizona is:

______

DATED this 4th day of MARCH, 2003.

BCE Nexxia Corporation
[Name of Corporation]

Executed by Martine Turcotte
Duly Authorized Officer or Director

Martine Turcotte, Secretary
[print name] [title]

PHONE 514-870-4637 FAX 514-870-4877
[optional] [optional]

ACCEPTANCE OF APPOINTMENT BY STATUTORY AGENT

The undersigned hereby acknowledges and accepts the appointment as statutory agent of this corporation effective this 18 day of March 2003

Jennifer Ashby Asst Secy
Signature

Jennifer Ashby, Asst Secy to LexisNexis Document Solutions Inc.
[Print Name]

BCE Nexxia Corporation
Directors and Officers

Officers:

Richard J. Mannion, President & CEO
BCE Nexxia Corporation
1000 de La Gauchetiere Street West
Montreal, Quebec
H3B 5H8 Canada
Tel: 514-870-8891
Fax: 514-870-2008

Martine Turcotte, Secretary
BCE Nexxia Corporation
1000 de La Gauchetiere Street West
Montreal, Quebec
H3B 5H8 Canada
Tel: 514-870-4637
Fax: 514-870-4877

Directors:

Richard J. Mannion, Director
(same as above)

Martine Turcotte, Director
(same as above)

Thomas R. Anderson, Director
BCE Nexxia Corporation
1600 Bausch & Lomb Place
Rochester, NY 14604
Tel: 585-232-6500
Fax: 585-232-2152

Gary L. Karl, Director
BCE Nexxia Corporation
1600 Bausch & Lomb Place
Rochester, NY 14604
Tel: 585-232-6500
Fax: 585-232-2152

Michael R. McEvoy, Director
BCE Nexxia Corporation
1600 Bausch & Lomb Place
Rochester, NY 14604
Tel: 585-232-6500
Fax: 585-232-2152

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "BCE NEXXIA CORPORATION" IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SEVENTEENTH DAY OF MARCH, A.D. 2003.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "BCE NEXXIA CORPORATION" WAS INCORPORATED ON THE FIFTEENTH DAY OF DECEMBER, A.D. 1998.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

2979289 8300

030177971

AUTHENTICATION: 2312753

DATE: 03-17-03

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS ON FILE OF "BCE NEXXIA CORPORATION" AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

CERTIFICATE OF INCORPORATION, FILED THE FIFTEENTH DAY OF DECEMBER, A.D. 1998, AT 11:30 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, CHANGING ITS NAME FROM "NATCO TELECOMMUNICATIONS CORPORATION" TO "BCE NEXXIA INC.", FILED THE SIXTH DAY OF JANUARY, A.D. 1999, AT 10 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, CHANGING ITS NAME FROM "BCE NEXXIA INC." TO "BCE NEXXIA CORPORATION", FILED THE FOURTH DAY OF FEBRUARY, A.D. 1999, AT 12:30 O'CLOCK P.M.

CERTIFICATE OF MERGER, FILED THE TWENTY-EIGHTH DAY OF MARCH, A.D. 2000, AT 3 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

2979289 8100H

AUTHENTICATION: 2312761

030177985

DATE: 03-17-03

CERTIFICATE OF INCORPORATION

OF

NATCO TELECOMMUNICATIONS CORPORATION

FIRST: The name of the Corporation is NATCO TELECOMMUNICATIONS CORPORATION.

SECOND: The Registered Office of the Corporation is to be located at 1209 Orange Street, in the City of Wilmington, County of New Castle 19801. The Registered Agent is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

FOURTH: The aggregate number of shares which the Corporation is authorized to issue is 20,000 all of which are to be shares of Common Stock, without par value.

FIFTH: The name and mailing address of the incorporator is as follows:

Name:	Thomas R. Anderson
Mailing Address:	700 Midtown Tower Rochester, New York 14604

SIXTH: The Board of Directors is authorized to make, alter or repeal the By-laws of the Corporation. Election of directors need not be by written ballot.

SEVENTH: No stockholder of the Corporation shall be entitled as of right to purchase or receive any new or additional shares of any class, whether now or hereafter authorized, or any other securities convertible into, or carrying options or warrants to purchase, shares of any class; and all such new or additional shares and all such other securities convertible into, or carrying options or warrants to purchase, shares may be issued or disposed of by the Board of Directors to such holder and on such terms as it, in its absolute discretion, may deem advisable.

EIGHTH: A member of the Corporation's Board of Directors shall not be personally liable to the Corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except for liability of the director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, relating to the payment of unlawful dividends or unlawful stock repurchases or redemptions, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 11:30 AM 12/15/1998
981482664 - 2979289

Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. Any repeal or modification of this Paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

NINTH: Indemnification.

(a) *Right to Indemnification.* Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or that he or she is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to any indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in subparagraph (b) hereof with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Paragraph shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Paragraph or otherwise.

(b) *Right of Indemnitee to Bring Suit.* If a claim under subparagraph (a) of this Paragraph is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that the indemnitee has not met the applicable standard of conduct set forth in the Delaware General Corporation Law. In any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that the indemnitee has not met the applicable standard of conduct set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Paragraph or otherwise shall be on the Corporation.

(c) *Non-Exclusivity of Rights.* The rights of indemnification and to the advancement of expenses conferred in this Paragraph shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, this Certificate of Incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

(d) *Insurance.* The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

(e) *Indemnification of Employees and Agents of the Corporation.* The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Paragraph with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

IN WITNESS WHEREOF, I have signed this Certificate this 15th day of December, 1998 and hereby affirm the truth of the statements contained herein under penalty of perjury.

Thomas R. Anderson
700 Midtown Tower
Rochester, NY 14604

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 10:00 AM 01/06/1999
991004514 - 2979289

CERTIFICATE OF AMENDMENT

of the

CERTIFICATE OF INCORPORATION

of

NATCO TELECOMMUNICATIONS CORPORATION

Duly Adopted in Accordance with Sections 242 and 228 of the Delaware General Corporation Law

Natco Telecommunications Corporation, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That by the unanimous written consent of the Board of Directors of the Corporation, resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable. The resolutions setting forth the proposed amendment are as follows:

> **RESOLVED,** that the Certificate of Incorporation of the Corporation be amended at Article "FIRST" thereof to change the name of the Corporation to **BCE Nexxia Inc.** and that, as amended, said Article shall be and read as follows:
>
> "FIRST: The name of the Corporation is BCE Nexxia Inc."
>
> **RESOLVED,** that such amendment of the Certificate of Incorporation be submitted to the sole shareholder of the Corporation for its approval and authorization.
>
> **RESOLVED,** that if such amendment of the Certificate of Incorporation shall be duly approved and authorized by the sole shareholder of the Corporation, then the officers of the Corporation are hereby authorized, empowered and directed to cause a duly executed Certificate of Amendment of the Certificate of Incorporation effecting such amendment to be presented to the Secretary of State of the State of Delaware for filing, all in accordance with the provisions of Delaware law.

SECOND: That thereafter, pursuant to resolutions duly adopted by the written consent of the sole shareholder of the Corporation in accordance with Section 228 of the General Corporation Law of the State of Delaware, the amendment was approved and authorized by the sole shareholder of the Corporation.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: That the capital of the Corporation shall not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by Timothy E. McGee, its president, and Marc J. Ryan, its secretary, as of the 5th day of January, 1999.

/s/ Timothy E. McGee
Timothy E. McGee, President

/s/ Marc J. Ryan
Marc J. Ryan, Secretary

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 12:30 PM 02/04/1999
991045324 - 2979289

CERTIFICATE OF AMENDMENT

of the

CERTIFICATE OF INCORPORATION

of

BCE NEXXIA INC.

Duly Adopted in Accordance with Sections 242 and 228 of the Delaware General Corporation Law

BCE Nexxia Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That by the unanimous written consent of the Board of Directors of the Corporation, resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable. The resolutions setting forth the proposed amendment are as follows:

> RESOLVED, that the Certificate of Incorporation of the Corporation be amended at Article "FIRST" thereof to change the name of the Corporation to **BCE Nexxia Corporation** and that, as amended, said Article shall be and read as follows:
>
> > "FIRST: The name of the Corporation is BCE Nexxia Corporation."
>
> RESOLVED, that such amendment of the Certificate of Incorporation be submitted to the sole shareholder of the Corporation for its approval and authorization.
>
> RESOLVED, that if such amendment of the Certificate of Incorporation shall be duly approved and authorized by the sole shareholder of the Corporation, then the officers of the Corporation are hereby authorized, empowered and directed to cause a duly executed Certificate of Amendment of the Certificate of Incorporation effecting such amendment to be presented to the Secretary of State of the State of Delaware for filing, all in accordance with the provisions of Delaware law.

SECOND: That thereafter, pursuant to resolutions duly adopted by the written consent of the sole shareholder of the Corporation in accordance with Section 228 of the General Corporation Law of the State of Delaware, the amendment was approved and authorized by the sole shareholder of the Corporation.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: That the capital of the Corporation shall not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by Terrence J. Jarman, its president, and David Masse, its secretary, as of the 4th day of February, 1999.

/s/ Terrence J. Jarman

Terrence J. Jarman, President

/s/ David Masse

David Masse, Secretary

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 03:00 PM 03/28/2000
001157110 – 2979289

CERTIFICATE OF MERGER

OF

BCE Nexxia Corporation (1999)

AND

BCE Nexxia Corporation

It is hereby certified that:

1. The constituent business corporations participating in the merger herein certified are:

(i) BCE Nexxia Corporation (1999), which is incorporated under the laws of the State of Delaware; and

(ii) BCE Nexxia Corporation, which is incorporated under the laws of the State of Delaware.

2. An Agreement of Merger has been approved, adopted, certified, executed, and acknowledged by each of the aforesaid constituent corporations in accordance with the provisions of subsection (c) of Section 251 of the General Corporation Law of the State of Delaware.

3. The name of the surviving corporation in the merger herein certified is BCE Nexxia Corporation, which will continue its existence as said surviving corporation under its present name upon the effective date of said merger pursuant to the provisions of the General Corporation Law of the State of Delaware.

4. The Certificate of Incorporation of BCE Nexxia Corporation, as now in force and effect, shall continue to be the Certificate of Incorporation of said surviving corporation until amended and changed pursuant to the provisions of the General Corporation Law of the State of Delaware.

5. The executed Agreement of Merger between the aforesaid constituent corporations is on file at an office of the aforesaid surviving corporation, the address of which is as follows:

BCE Nexxia Corporation
c/o Bell Canada
1000, rue de la Gauchetiere Ouest, Bureau 4100
Montreal, Quebec H3B 5H8, Canada

6. A copy of the aforesaid Agreement of Merger will be furnished by the aforesaid

surviving corporation, on request, and without cost, to any stockholder of each of the aforesaid constituent corporations.

7. The Agreement of Merger between the aforesaid constituent corporations provides that the merger herein certified shall be effective on the day of the filing of the Certificate and Plan of Merger in the Delaware Department of State.

Dated: March 28, 2000.

BCE Nexxia Corporation (1999)

By: /s/ Terrence J. Jarman
Terrence J. Jarman, President

Dated: March 28, 2000.

BCE Nexxia Corporation

By: /s/ Terrence J. Jarman
Terrence J. Jarman, President

Direct Owner of BCE Nexxia Corporation

<u>100% ownership</u>

3522024 Canada, Inc.
c/o Bell Canada
Bureau 4100
1000 de La Gauchetiere Street West
Montreal, Quebec H3B 5H8 Canada
Tel: 514-870-4637

Update 1 March 2003

Ownership Structure of BCE Nexxia Corp.

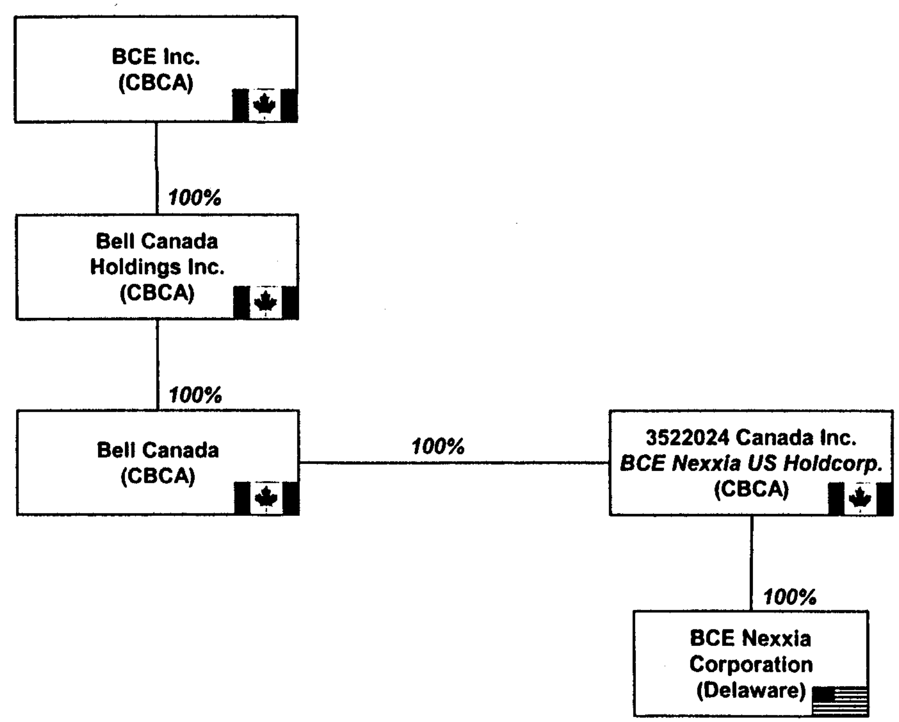

EXHIBIT B

TITLE PAGE

BCE NEXXIA CORPORATION

REGULATIONS AND SCHEDULE OF INTRASTATE CHARGES

APPLYING TO INTEREXCHANGE COMMUNICATIONS SERVICES WITHIN

THE STATE OF ARIZONA

By: Martine Turcotte
Secretary
BCE Nexxia Corporation
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CHECK SHEET

The Title Page and pages listed below of this Tariff are effective as of the date shown. Revised pages contain all changes from the original Tariff that are in effect as of the date indicated.

Page No.	Number of Revision	Page No.	Number of Revision	Page No.	Number of Revision	Page No.	Number of Revision

ALL PAGES ARE ORIGINAL.

* New or Revised Page.

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TABLE OF CONTENTS

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PRELIMINARY STATEMENT

This Tariff sets forth rates and rules of BCE Nexxia Corporation ("BCE" or the "Company") applicable to its provision of facilities-based interexchange service within the State of Arizona.

This Tariff sets forth the service offerings, rates, terms and conditions that apply to interexchange telecommunications service provided by Company to business customers within the State of Arizona. This Tariff applies only for use of services provided by Company for communications between points within the State of Arizona, including use of Company's network to complete an end-to-end intrastate communication.

The rates and rules contained herein are subject to change pursuant to the rules and regulations of the Commission.

APPLICABILITY

This Tariff applies to interexchange telephone service between points in Arizona. Such service is provided 24 hours per day, seven days per week. Service is offered using the facilities of the Company and its underlying facilities-based carriers. Service is provided subject to the availability and economic feasibility of necessary service, equipment and facilities.

AVAILABILITY

The Company offers this service in the service areas in which it has been certified by the Arizona Corporation Commission and in which the Company has available required network facilities or is able to lease required network facilities to enable the offering of long distance service. Only Customers which have also subscribed to Company's interstate and international services pursuant to an agreement with the Company are eligible to apply for the service offerings contained in this Tariff. Interstate and international services are subject to the jurisdiction of the Federal Communications Commission ("FCC").

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EXPLANATION OF SYMBOLS

(C) To signify a changed regulation.

(D) To signify discontinued material, including listing, rate, rule or condition.

(I) To signify an increase in a rate.

(M) To signify material relocated from or to another part of Tariff schedule with no change in text, rate, rule, or condition.

(N) To signify new material including listing, rate, rule or condition.

(R) To signify reduction.

(T) To signify change in wording of text but no change in rate, rule or condition.

TARIFF FORMAT

A. Page Numbering – Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new Pages are occasionally added to the Tariff. When a new Page is added between Pages already in effect, a decimal point is added. For example, a new Page added between Pages 14 and 15 would be 14.1.

B. Page Revision Numbers – Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current Page version on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd revised Page 14. Because of various suspension periods, deferrals, etc. the Commission follows in their Tariff approval process, the most current Page number on file with the Commission is not always the Tariff page in effect.

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TARIFF FORMAT (Cont'd)

C. Paragraph Numbering Sequence – There are six levels of paragraph coding. Each level is subservient to its next higher level:

1.
1.1
1.1.1
1.1.1(a)
1.1.1(a)1.
1.1.1(a)1.(a)
1.1.1(a)1.(a)(i)

D. Check Sheets – When a Tariff filing is made with the Commission, an updated check Page accompanies the Tariff filing. The check sheet lists the pages contained in the Tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). The Tariff user should refer to the latest check sheet to find out if a particular page is the most current on file with the Commission.

SECTION 1 -DEFINITIONS

8XX Number – A number beginning with 800, 888, 877 or 866.

Access Line – A communications path, provided by a person other than the Company on the customer side of the demarcation point, which connects a demarcation point to another point.

Authorization – The process of granting or denying access to a network resource.

Authorization Code – A pre-defined series of numbers to be dialed by the Customer or Authorized User upon access to the Carrier's Travel Service or Prepaid Calling Card network to identify the Caller and validate the Caller's authorization to use the services provided. The Customer is responsible for charges incurred through the use of his or her assigned Authorization Code.

Authorized User – A person, firm, corporation, or any other entity authorized by the Customer to utilize the Carrier's service under the terms and conditions of this Tariff. The Customer remains responsible for payment of services.

BCE – BCE Nexxia Corporation.

Bit – The smallest unit of information in the binary system of notation.

BPS – Bits per second.

Call – Telephonic communication originated by a person or mechanical or electrical device from a number to another number that is answered by a person or mechanical or electrical device. The numbers may be located any distance apart within Arizona. Communication may consist of voice, data, a combination of both, or other transmission, may be by wire or wireless medium and may be for any duration of time. An attempted or incomplete Call is an unsuccessful attempt by a Customer to place a Call.

SECTION 1 - DEFINITIONS (CONT'D)

Circuit – A communications path provided by Company between two or more demarcation points, at a transmission speed agreed to between Company and Customer.

Channel – A communications path between two or more points of termination. Such termination points may be located anywhere in Arizona. Communication may consist of voice, data, a combination of both, or other transmission and may be by a wire or wireless medium. Channel capacity may be any size and is typically measured in bits per second, with 1.5 megabits per second equal to one voice channel. Duration is typically of unlimited duration.

Commission – Arizona Corporation Commission, the regulatory agency within the State of Arizona.

Committed Information Rate – The Committed Information Rate ("CIR") is the amount of bandwidth that the Company agrees to make available to the Customer's Frame Relay Data Terminal Equipment through the Network enabling the transfer of data between any given Frame Relay Permanent Virtual Circuit ingress and egress points during normal network operational conditions. CIRs are provided on a per individual Data Link Channel basis.

Company or Carrier – BCE unless otherwise clearly indicated by the context.

Customer – The person, firm or corporation which orders service and is responsible for the payment of charges, compliance with the terms and conditions of this Tariff, and compliance with the laws of the State of Arizona.

Customer Premises – A location occupied by Customer, or which Customer has the right to occupy, for the purposes of transmitting or receiving communications signals, and which is made available to Company for the maintenance and operation thereon or therein of a Company terminal location.

SECTION 1 - DEFINITIONS (CONT'D)

Dedicated – A facility or equipment system or subsystem set aside for the sole use of a specific Customer.

Demarcation Point – The point of interconnection of an Access Line or other connecting communications path or equipment provided by Customer or any person to company-provided equipment.

Excess Information Rate – The Excess Information Rate ("EIR"), or Sustained Burst, is the additional bandwidth that the Company agrees to make available, to enable the transfer of data between any given Frame Relay Permanent Virtual Circuit ingress and egress points on a per Data Link Channel basis. The value of the EIR will be an additional 300 percent of the CIR or the Access Line bandwidth, dependent on whichever sum is the lesser. The EIR will be made available as a sustained Network resource during normal Network operations. All data submitted within the EIR range shall be eligible to be discarded under adverse Network conditions.

Facilities – Cables, wires, poles, conduits and other Company equipment that is used to provide service to Customers including wire center distribution frames and central office switching equipment.

Fiber Optic Cable – A thin filament of glass with a protective outer coating through which a light beam carrying communications signals may be transmitted by means of multiple internal reflections to a receiver, which translates the message.

Individual Case Basis ("ICB") – A service arrangement in which the regulations, rates and charges are developed based on the specific circumstances of the Customer and at the Company's sole discretion.

Initial – The Initial Period denotes the interval of time allowed at the rate specified for a connection between given service points.

SECTION 1 - DEFINITIONS (CONT'D)

Integrated Services Digital Network – The Integrated Services Digital Network ("ISDN") is a digital network that permits the switched interconnection of voice, data and video transmissions requiring differing capacities over common facilities.

LATA – A Local Access and Transport Area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192; or any other geographic area designated as a LATA in the National Exchange Carrier Association, Inc. Tariff F.C.C. No. 4.

Mbps – Megabits per second, denotes millions of bits per second.

NXX – The designation for the first three digits of a local telephone number where N represents 2-9 and X represents 0-9.

Permanent Virtual Circuit – The Permanent Virtual Circuit ("PVC") is the logical connection from one port of a Frame Relay network to another port of the same Frame Relay network. The sizing of the PVC is determined by its CIR and its EIR.

Port – A facility or equipment system or subsystem set aside for the sole use of a specific Customer.

Premises – The space occupied by the Customer or Authorized User in a building or buildings or contiguous property not separated by a public or quasi-public right-of-way.

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SECTION 1 - DEFINITIONS (CONT'D)

Recurring Charges – The monthly charges to the Customer for services, facilities and equipment, which continues for the agreed upon duration of the service.

Service – Any means of services offered herein by the Company or any combination thereof.

Service Order – The written request for Company services executed by the Customer and the Company in the format devised by the Company. The signing of a Service Order Form by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this Tariff.

Shared – A facility or equipment system or subsystem which can be used simultaneously by several Customers.

Special Facilities – Any facilities, goods, supplies, products, equipment, fixtures or other installation specifically installed or constructed for Customer by Company pursuant to a negotiated agreement between Company and Customer.

Subscriber – See Customer.

Tariff – BCE's Arizona C.C. Tariff No. 1.

Terminal Equipment – Any telecommunications equipment other than the transmission or receiving equipment installed at a Company Terminal Location.

Transmission Speed – Transmission speed or rate, in bits per second (bps), as agreed to by Company and Customer for each circuit.

United States – The forty-eight states contained within the mainland United States, the District of Columbia, Alaska, Hawaii, Puerto Rico, the U.S. Virgin Islands, Guam and the Commonwealth of the Northern Mariana Islands.

Virtual Private Network – A Virtual Private Network ("VPN") is a switched network with special services such as abbreviated dialing, which allows customers to call between offices in different area codes without dialing all digits.

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SECTION 2 -RULES AND REGULATIONS

2.1 Undertaking of BCE

BCE's services are furnished for interexchange communications originating and terminating within the State of Arizona under the terms of this BCE's services are available twenty-four (24) hours per day, seven (7) days per week.

BCE arranges for installation, operation and maintenance of the communications services provided in this Tariff for Customers in accordance with the terms and conditions set forth under this Tariff. BCE may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities, when authorized by the Customer, to allow connection of a Customer's location to BCE's network.

2.2 Use

Services provided under this Tariff may be used by the Customer for any lawful telecommunications purpose for which the service is technically suited.

2.2.1 Any entity which uses, appropriates or secures the use of services from BCE other than under the terms and conditions of this Tariff shall be liable for an amount equal to the accrued and unpaid charges for services received pursuant to this Tariff, plus all applicable court costs and attorneys fees.

2.3 Limitations of Service, Equipment or Facilities

2.3.1 Service is offered subject to the availability of the necessary facilities and/or equipment and subject to the provisions of this Tariff. The Company may decline applications for Service to or from a location where the necessary facilities or equipment are not available. The Company may discontinue furnishing Service in accordance with the terms of this Tariff.

SECTION 2 - RULES AND REGULATIONS (CONT'D)

2.3 Limitations of Service, Equipment or Facilities (Cont'd)

2.3.2 The Company reserves the right to discontinue or limit Service when necessitated by conditions beyond its control. Examples of these conditions are more fully set forth elsewhere in this Tariff or when Service is used in violation of the provisions of this Tariff or the law.

2.3.3 The Company does not undertake to generate content messages, but offers the use of its Service when available. As more fully set forth elsewhere in this Tariff, the Company shall not be liable for errors in transmission or for failure to establish connections.

2.3.4 The Company reserves the right to discontinue Service, limit Service, or to impose requirements as required to meet changing regulatory or statutory rules and standards, or when such rules and standards have an adverse material affect on the business or economic feasibility of providing Service, as determined by the Company in its reasonable judgment.

2.3.5 The furnishing of Service under this Tariff is subject to the availability on a continuing basis of all the necessary facilities and/or equipment are not available. BCE may decline applications for service to or from a location where the necessary facilities or equipment are not available.

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.3 Limitations of Service, Equipment or Facilities (Cont'd)

2.3.6 BCE reserves the right to deny service to any person or entity: (A) who, in BCE's judgment, presents an undue risk of nonpayment, refuses to comply with the deposit requirements set forth in this Tariff, or does not pass a credit check; or (B) if BCE believes that the person's or entity's use of the Service would violate the provisions of this Tariff or any applicable law or regulation, or if any applicable law or regulation restricts or prohibits provision of the Service to that person or entity; or (C) if BCE determines in its sole discretion that facilities are not available to provide the Service; or (D) if BCE determines in its sole discretion that any order for Service, letter of authorization and/or third party verification is not in conformance with any applicable law or regulation; or (E) the Service requested has been discontinued; or (F) if an order for the Service may be denied under the terms of any carrier, switched or independent sales representative agreement.

2.3.7 Service may be discontinued by BCE, at any time and without notice to its Customers, by blocking traffic to or from certain cities, NXX exchanges, or individual telephone stations, by blocking call origination for BCE's services, or by blocking calls using certain Customer Authorization Codes and/or access codes, when BCE deems it necessary to take such action to prevent unlawful and/or unauthorized use of its services. In addition, BCE may take any of the foregoing actions in the case of actual or anticipated non-payment for its service. In order to control fraud, BCE may refuse to accept Calling Card, Collect Calling, and/or Third Party calls which it reasonably believes to be unauthorized or invalid and/or may limit the use of these billing options to or from certain areas within the State of Arizona.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.3 Limitations of Service, Equipment or Facilities (Cont'd)

2.3.8 BCE reserves the right to refuse to provide service to or from any location where it has not ordered access facilities, installed network interconnections, or the necessary facilities and/or equipment are not available, acceptable, or justifiable. BCE also reserves the right to make changes to equipment, service components, and/or network configurations as may be required.

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.3 Limitations of Service, Equipment or Facilities (Cont'd)

2.3.9 The provision of service will not create a partnership or joint venture between BCE and the Customer nor result in joint service offerings to their respective authorized users.

2.3.10 Use of Service Mark

(a) No Customer shall use any service mark or trademark of the Company or refer to Company in connection with any product, equipment promotion, or publication of the Customer without the prior written consent of the Company.

2.4 Location of Service

2.4.1 Originating Areas – areas in this state where service has been established by the Carrier.

2.4.2 Terminating Areas – all areas of Arizona State.

2.5 Assignment or Transfer

All service provided under this Tariff is directly or indirectly controlled by BCE and neither the Customer nor its Authorized Users may transfer or assign the use of service without the express prior written consent of BCE. Such transfer or assignment shall only apply where there is no interruption of the use or location of service. All terms and conditions contained in this Tariff shall apply to all such permitted transferees or assignees.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.6 Liability

2.6.1 The liability of BCE for damages of any nature arising from errors, mistakes, omissions, interruptions, or delays of BCE, its agents, servants, or employees, in the course of establishing, furnishing, rearranging, moving, terminating, maintaining, restoring, or changing the service or facilities or equipment shall not exceed an amount equal to the charges applicable under this Tariff (calculated on a proportionate basis where appropriate) to the period during which such error, mistake, omission, interruption or delay occurs.

2.6.2 In no event shall BCE or any of its affiliates be liable to Customer, its customers or any of their affiliates under this Tariff for any loss of profit or revenue or for any incidental, consequential, indirect, punitive or similar or additional damages incurred or suffered as a result of incorrect or defective transmissions, or any direct or indirect consequences thereof, while using the Services, performance, non-performance, termination, breach, or other action or inaction, on the part of BCE, under this Tariff, even if Customer advises BCE of the foreseeability, possibility, likelihood, probability or certainty of such loss or damage.

2.6.3 When the services or facilities of other entities are used separately or in conjunction with BCE's facilities or equipment in establishing connection to points not reached by BCE's facilities or equipment, BCE shall not be liable for any act or omission of such other entities or their agents, servants or employees. BCE shall not be liable for any act or omission of vendors supplying equipment to Customer nor for claims regarding the performance of such vendor supplied equipment.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.6 Liability (Cont'd)

2.6.4 BCE shall not be liable for any failure of performance hereunder if such failure is due to any cause or causes beyond its reasonable control as determined by BCE. Such causes shall include, without limitation, acts of God, fire, explosion, vandalism, cable cut, storm or other similar occurrence, any law, order, regulation, direction, action or request of the United States government or of any other government or of any civil or military authority, national emergencies, insurrections, riots, wars, strikes, lockouts or work stoppages or other labor difficulties, supplier failures, shortages, breaches or delays, unavailability of rights-of-way or materials, or preemption of existing service to restore service in compliance with the decisions, rules, regulations and orders of the Commission or any other federal, international, state, or local governmental agency or authority.

2.6.5 BCE shall not be liable for interruptions, delays, errors, or defects in transmission, or for any injury whatsoever, caused by the Customer, the Customer's agents, or Authorized Users, or by facilities or equipment provided by the Customer. BCE shall not be liable for any act or omission by any entity furnishing to the Company or to the customer facilities or equipment used for or with the services the Company offers. The Company shall not be liable for the claims of vendors supplying equipment to Customers of the Company which may be installed at the premises of the Company. The Company shall not be liable for the performance of said vendor or vendor's equipment.

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.6 Liability (Cont'd)

2.6.6 BCE does not guarantee or make any warranty with respect to any equipment provided by it where such equipment is used in locations containing an atmosphere which is explosive, prone to fire, dangerous, or otherwise unsuitable for such equipment. Customers and Authorized Users indemnify and hold BCE harmless from any and all loss, claims, demands, suits or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any party or persons, for any personal injury to or death of any person or persons, and for any loss, damage, or destruction of any property, whether owned by the Customer, Authorized User, or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location, or use of such equipment so used.

2.6.7 The Company is not liable for any defacement of or damage to the premises of a Customer or end-user (or authorized or joint user) resulting from the furnishing of services or equipment on such premises or the installation or removal thereof, when such defacement or damage is not the result of the gross negligence or willful misconduct on the part of the agents or employees of the Company.

2.6.8 The Company shall not be liable for any damages resulting from delays in meeting any service dates due to delays resulting from normal construction procedures. Such delays shall include, but not be limited to, delays in obtaining necessary regulatory approvals for construction, delays in obtaining right-of-way approvals and delays in actual construction work.

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SECTION 2 - RULES AND REGULATIONS (CONT'D)

2.6 Liability (Cont'd)

2.6.9 The Company shall not be liable for any damages whatsoever to property resulting from the installation, maintenance, repair or removal of equipment and associated wiring unless the damage is caused by the Company's willful misconduct or gross negligence.

2.6.10 The Company shall not be liable for any damages whatsoever associated with service, facilities, or equipment which the Company does not furnish or for any act or omission of Customer or any other entity furnishing services, facilities or equipment used for or in conjunction with service.

2.6.11 THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.

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SECTION 2 - RULES AND REGULATIONS (CONT'D)

2.6 Liability (Cont'd)

2.6.12 The Customer and any authorized or joint users, jointly and severally, shall indemnify and hold the Company harmless from claims, loss, damage, expense (including attorney's fees and court costs), or liability for patent infringement arising from (1) combining with, or using in connection with facilities the Company furnished, facilities the Customer, authorized user, or joint user furnished; (2) use of facilities the Company furnished in a manner the Company did not contemplate and over which the Company exercises no control and from all other claims, loss, damage, expense (including attorneys' fees and court costs); or (3) liability arising out of any commission or omission by the Customer, authorized user, or joint user in connection with the Service. In the event that any such infringing use is enjoined, the Customer, authorized user, or joint user, at its option and expense, shall obtain immediately a dismissal or stay of such injunction, obtain a license or other agreement so as to extinguish the claim of infringement, terminate the claimed infringing use, or modify such combination so as to avoid any such infringement. In addition and without limitation, the Customer, authorized user, or joint user, shall defend, on behalf of the Company and upon request by the Company, any suit brought or claim asserted against the Company for any such slander, libel, infringement, or other claims.

SECTION 2 - RULES AND REGULATIONS (CONT'D)

2.6 Liability (Cont'd)

2.6.13 The Company shall not incur any liability, direct or indirect, to any person who dials or attempts to dial the digits "9-1-1" or to any other person who may be affected by the dialing of the digits "9-1-1". Customer agrees to advise its users that as to Company's data services, the "9-1-1" emergency dialing does not connect to the local public safety answering point.

2.7 Billing and Payment for Service

2.7.1 Application for Service

(a) Customers desiring to obtain Service must complete service application forms provided by Company. Company may require Customers or potential customers to provide information pertaining to their ability to pay for Service. Company may deny Service to Customers or potential customers which do not provide the requested information or who fail to meet Company's financial criteria. Only Customers which have subscribed to Company's interstate and international services pursuant to an agreement with the Company may apply for the service offerings contained in this Tariff.

2.7.2 Cancellation of Application for Service

(a) Where installation of Service has been started prior to the cancellation of an application for Service, a cancellation charge equal to the costs incurred by the Company may apply.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.7 Billing and Payment for Service (Cont'd)

2.7.3 Cancellation of Service

(a) The Customer may have service discontinued upon thirty (30) days written notice to the Company. The Company shall hold the Customer responsible for payment of all bills for service furnished until the cancellation date specified by the Customer or until the date that the written cancellation notice is received, whichever is later. Upon early cancellation of a term agreement, the Customer agrees to pay Company for the balance due under the contract for the entire term of the agreement. Unless the Customer notifies Company at least thirty (30) days prior to the end of the initial term of the agreement, the agreement shall be automatically extended for a term equivalent to the initial term.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.7 Billing and Payment for Service (Cont'd)

2.7.4 Deposits

(a) The Company does not collect deposits or advanced payments from customers.

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.7 Billing and Payment for Service (Cont'd)

2.7.5 Payment of Charges

(a) The Company shall bill on a current basis all charges incurred by and credits due to the Customer. The billing date shall be printed on the bill and the date rendered shall be the mailing date. The Customer may receive its bill in: 1) a paper format, or 2) via electronic transmission. Such bills are due upon receipt regardless of the media utilized. The Company shall bill in advance charges for all services to be provided during the ensuing billing period except for charges associated with service usage. Adjustments for the quantities of Service established or discontinued in any billing period beyond the minimum period will be prorated to the number of days based on a 30-day month. The Company will, upon request and if available, furnish such detailed information as may reasonably be required for verification of the bill. All payments shall be mailed to the office of the Company at the address specified on the bill.

(b) All bills for Service provided to the Customer by the Company are due 15 days from the date the bill is rendered. Delinquent accounts for which payment has not been received may be terminated 22 days after the date the bill is rendered. If any portion of the payment is received by the Company after the payment due date as set forth above, or if any portion of the payment is received by the Company in funds which are not immediately available to the Company, then a late payment penalty shall be due to the Company. The late payment penalty shall be a portion of the payment not received by the payment due date times a late factor. The late factor shall be 1.5% per month (or 18% annually), or the highest rate allowed by law, whichever is the lesser. The late factor will be applied for the number of days from the payment due date to and including the date that the Customer actually makes the payment to the Company.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.7 Billing and Payment for Service (Cont'd)

2.7.5 Payment of Charges (Cont'd)

(c) Customer shall be responsible for payment of all sales, use, gross receipts, excise, access, bypass or other local, state and federal taxes, charges or surcharges, however designated, imposed on or based upon the provision, sale or use of the services rendered by Company. Such taxes and surcharges shall be separately stated on the Customer's bill.

(d) When a check which has been presented to Company by a customer in payment for charges is returned by the bank, the customer shall be responsible for the payment of a Returned Check Charge of $20.00.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.7 Billing and Payment for Service (Cont'd)

2.7.6 Non-Recurring Charges

(a) Non-recurring charges are payable when the service for which they are specified has been ordered. If an entity other than BCE (*e.g.*, another carrier or supplier) imposes or will impose charges on BCE in connection with an ordered service, those costs will also be charged to the Customer.

2.7.7 Customer Overpayments

(a) Company will provide interest on customer overpayments that are not refunded within 30 days of the date Company receives the overpayment. An overpayment is considered to have occurred when payment in excess of the correct charges for service is made because of erroneous Company billing. The customer will be issued reimbursement for the overpayment, plus interest, or, if agreed to by the customer, credit for the amount will be provided on the next regular Company bill. The rate of interest shall be the greater of the customer deposit interest rate or Company's applicable late payment penalty.

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.7 Billing and Payment for Service (Cont'd)

2.7.7 Customer Overpayments (Cont'd)

(b) Interest shall be paid from the date when overpayment was made, adjusted for any changes in the deposit rate or late payment rate, and compounded monthly, until the date when the overpayment is refunded. The date when overpayment is considered to have been made will be the date on which the customer's overpayment was originally recorded to the customer's account by Company.

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.7 Billing and Payment for Service (Cont'd)

2.7.8 Disputed Bills

(a) In the event that a billing dispute occurs concerning any charges billed to the Customer by the Company, the Customer must submit a written documented claim for the disputed amount. The Customer must submit all documentation as may reasonably be required to support the claim. All claims must be submitted to the Company within thirty (30) days of receipt of billing for those services. If the Customer does not submit a claim as stated above, the Customer waives all rights to filing a claim thereafter.

(b) Unless disputed, the invoice shall be deemed to be correct and payable in full by Customer. If the Customer is unable to resolve any dispute with the Company, then Customer may file a complaint with the Arizona Corporation Commission, 1200 West Washington, Phoenix, AZ 85007-2996.

(c) If the dispute is resolved in favor of the Customer, no interest credits or penalties will apply.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.8 Service Connections and Facilities on Customer's Premises

2.8.1 All Service along the facilities between the point identified as the Company's origination point and the point identified as the Company's termination point will be furnished by the Company, its agents or contractors.

2.8.2 Customer shall allow Company continuous access and right-of-way to Customer's premises to the extent reasonably determined by the Company to be appropriate to the provision and maintenance of services, equipment, facilities and systems relating to this Tariff.

2.8.3 The Company may undertake to use reasonable efforts to make available services to a Customer, on or before a particular date subject to the provisions of and compliance by the Customer with the regulations contained in this Tariff. The Company does not guarantee availability by any such date and shall not be liable for any delays in commencing Service to any Customer.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.8 Service Connections and Facilities on Customer's Premises (Cont'd)

2.8.4 The Company undertakes to use reasonable efforts to maintain only the facilities and equipment that it furnishes to the Customer. The Customer, joint user, or authorized user may not, nor may the Customer permit others to, rearrange, disconnect, remove, attempt to repair, or otherwise tamper with any of the facilities or equipment installed by the Company, except upon the written consent of the Company.

2.8.5 Title to all facilities provided by Company, including Terminal Equipment, shall remain with the Company. The operating personnel and the electric power consumed by such equipment on the premises of the Customer shall be provided by and maintained at the expense of the Customer.

2.8.6 Equipment the Company provides or installs at the Customer's premises for use in connection with the Services the Company offers shall not be used for any purpose other than that for which the Company provided it.

2.8.7 Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents imposed on Company-provided equipment and wiring by connection shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or other persons.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.8 Service Connections and Facilities on Customer's Premises (Cont'd)

2.8.8 The Company shall not be responsible for the installation, operation, or maintenance of any Customer-provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this Tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this Tariff and to the maintenance and operation of such facilities; subject to this responsibility, the Company shall not be responsible for:

(a) the transmission of signals by Customer-provided equipment or for the quality of, or defects in, such transmission of; or

(b) the reception of signals by Customer-provided equipment.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.8 Service Connections and Facilities on Customer's Premises (Cont'd)

2.8.9 Company is solely responsible for operating Company-provided equipment. In the event that Customer attempts to operate any Company-provided equipment without first obtaining Company's written approval, in addition to any other remedies of Company for a breach by Customer of Customer's obligations hereunder, Customer shall pay Company for any damage to Company-provided equipment caused or related to Customer's improper operation of Company-provided equipment upon receipt by Customer of a Company invoice therefor. In no event shall Company be liable to Customer or any other person for interruption of the Service or for any other loss, cost or damage caused or related to Customer's improper use of Company-provided equipment.

2.8.10 Customer agrees to allow Company to remove all Company-provided equipment from Customer's premises:

(a) upon termination, interruption or suspension of the Service in connection with which the equipment was used; and

(b) for repair, replacement or otherwise as Company may determine is necessary or desirable.

2.8.11 At the time of such removal, such equipment shall be in the same condition as when delivered to Customer or installed on Customer's premises, normal wear and tear only excepted. Customer shall reimburse Company for the unamoratized cost of any such equipment in the event the foregoing conditions are not met.

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.8 Service Connections and Facilities on Customer's Premises (Cont'd)

2.8.12 The Customer, authorized user, or joint user is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such Company equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company provided equipment and wiring or injury to the Company's employees or to other persons. In advance, Customer will submit to Company a complete manufacturer's specification sheet for each item of equipment that is not provided by the Company and which shall be attached to the Company's facilities. The Company shall approve the use of such item(s) of equipment unless such item is technically compatible with Company's facilities. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

2.8.13 Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing Service, and the channels, facilities, or equipment of others shall be provided at the Customer's expense.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.9 Interconnection

2.9.1 Service furnished by BCE may be interconnected with services or facilities of other authorized communications common carriers and with private systems, subject to technical limitations established by BCE. Service furnished by BCE is not part of a joint undertaking with such other common carriers or systems. BCE does not undertake to provide any special facilities, equipment, or services to enable the Customer to interconnect the facilities or the equipment of BCE with services or facilities of other common carriers or with private systems.

2.9.2 Interconnection with the services or facilities of other common carriers shall be under the applicable terms and conditions of this Tariff and the other common carrier's Tariffs.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.10 Inspection, Testing and Adjustment

BCE may, upon reasonable notice, make such tests and inspections as may be necessary to determine whether the terms and conditions of this Tariff are being complied with in the installation, operation or maintenance of the Customer's facilities or equipment. BCE may interrupt service at any time, without penalty or liability, due to the departure from or reasonable suspicion of the departure from any of these terms and conditions.

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.11 Credit Allowances for Interruption of Service

Credit allowances for interruptions of service which are not due to BCE's inspection or testing, to the negligence of the Customer, or the failure of channels, equipment and/or communications systems provided by the Customer, are subject to the general liability provisions set forth in this Tariff.

It shall be the obligation of the Customer to notify BCE immediately of any interruption in service for which the Customer desires a credit allowance. Before giving such notice, the Customer shall ascertain that the trouble is not within his or her control, or is not in wiring or equipment, if any, furnished by Customer.

For purposes of credit computation, every month shall be considered to have 30 days. The Customer shall be credited for an interruption of one day (24 hours) or more at the rate of $1/30^{th}$ of the monthly charge for the services affected for each day that the interruption continues.

Credit Formula:

Credit = A/30 x B

A = outage time in days

B = total monthly charge for affected service.

No credit allowances shall be made for:

Interruptions that are caused by the negligence of the Customer or others authorized by the Customer to use the Customer's service;

Interruptions that are due to the failure of power, equipment, systems, or services not provided by BCE;

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.11 Credit Allowances for Interruption of Service (Cont'd)

Interruptions during any period during which BCE or its agents are not afforded access to the premises where Access Lines associated with the Customer's service are located;

Interruptions during any period when the Customer or user has released the service to BCE for maintenance, rearrangement, or the implementation of a Customer order;

Interruptions during any period when the Customer or user has refused to release the service for testing or repair;

Interruptions during any period when the non-completion of calls is due to network busy conditions; or

Interruptions not promptly reported to the BCE.

2.12 Obligations of the Customer

2.12.1 The Customer shall be responsible for:

(a) The payment of all applicable charges as set forth in this Tariff.

(b) Damage or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer, authorized user, or joint user or the non-compliance by the Customer, authorized user, or joint user with these regulations; or by fire or theft or other casualty on the premises of the Customer, authorized user, or joint user unless caused by the negligence or willful misconduct of the employees or agents of the Company.

(c) Providing as specified from time to time by the Company any needed personnel, equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer, authorized user, or joint user and the level of power, heating and air conditioning necessary to maintain the proper environment on such premises.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.12 Obligations of the Customer (Cont'd)

2.12.1 The Customer shall be responsible for: (Cont'd)

(d) Obtaining, maintaining, and otherwise having full responsibility for rights of way and conduit necessary for installation of fiber optic cable and associated equipment to provide Service to the Customer, authorized user or joint user from the cable building entrance or the property line of the land on which the structure wherein any termination point or origination point used by the Customer, authorized user or joint user is placed or located, whichever is applicable, through the point of entry into the structure, throughout the structure, to the location of the equipment space. Any and all costs associated with the obtaining and maintaining of the rights of way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to the Customer. The Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for Service.

(e) Providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury to Company employees or property might result from installation or maintenance by the Company.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.12 Obligations of the Customer (Cont'd)

2.12.1 The Customer shall be responsible for: (Cont'd)

(f) Complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in any Customer premises or the rights of way for which the Customer is responsible and obtaining permission for Company agents or employees to enter the premises of the Customer, authorized user, or joint user at any reasonable hour for the purpose of installing, inspecting, repairing, or upon termination of Service as stated herein, removing the facilities or equipment of the Company.

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.12 Obligations of the Customer (Cont'd)

2.12.1 The Customer shall be responsible for: (Cont'd)

(g) Making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer. No allowance will be made for the period during which Service is interrupted for such purposes.

(h) Keeping the Company's equipment and facilities located on the Customer's premises of rights-of-way obtained by the Customer free and clear of any liens or encumbrances relating to the Customer's use of the Company's services or from the locations of such equipment and facilities.

(i) Customer provided terminal equipment on the premises of the Customer, authorized user, or joint user, the operating personnel there, and the electric power consumed by such equipment shall be provided by and maintained at the expense of the Customer, authorized user, or joint user. Conformance of Customer provided station equipment with Part 68 of the FCC Rules is the responsibility of the Customer.

(j) The Customer, authorized user, or joint user is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or other persons.

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.13 Refusal or Discontinuance by the Company

2.13.1 The Company, by written notice to the Customer and in accordance with applicable law, may discontinue Service or cancel an application for Service without incurring any liability when there is an unpaid balance for Service that is overdue and not disputed.

2.13.2 The Customer whose check or draft is returned unpaid for any reason, after two attempts at collection, shall be subject to discontinuance of Service in the same manner as provided for nonpayment of overdue charges.

2.13.3 The Customer shall be subject to discontinuance of Service, without notice, for any violation of any law, rule, regulation or policy of any government authority having jurisdiction over Service, or by reason of any order or decision of a court or other government authority having jurisdiction which prohibits the Company from furnishing such Service, or for any violation of any of the provisions governing the furnishing of Service under this Tariff.

2.13.4 The Company may immediately discontinue service to any Customer, without notice, in order to protect against fraud or to otherwise protect Company personnel, agents, facilities, or services.

2.13.5 The Customer shall be subject to discontinuance of Service, without notice, for the Company to comply with any order or request of any governmental authority having jurisdiction.

2.13.6 If any Customer files for bankruptcy or reorganization or fails to discharge an involuntary petition therefor within the time permitted by law, the Company may immediately discontinue or suspend Service under this Tariff without incurring any liability.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.13 Refusal or Discontinuance by the Company (Cont'd)

2.13.7 Upon the Company's discontinuance of Services to the Customer, the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this Tariff, may declare all future monthly and other charges which would have been payable by the Customer under this Tariff during the remainder of the minimum term for which such Services would have otherwise been provided to the Customer to be immediately due and payable.

2.13.8 If Service has been discontinued for nonpayment or as otherwise provided herein and the Customer wishes it continued, Service shall, at the Company's discretion, be restored when all past due amounts are paid or the event giving rise to the discontinuance (if other than nonpayment) is corrected and the Customer pays a deposit in advance at Company's discretion. Non-recurring charges apply to restored Services.

2.13.9 Any notice the Company may give to a Customer shall be deemed properly given when delivered, if delivered in person, or when deposited with the U.S. Postal Service, addressed to the Customer's billing address or to such address as may be subsequently given by Customer to the Company.

2.13.10 Except for cancellation of Service or as otherwise provided by these rules, any notice from any Customer may be given by the Customer or any authorized representative to the Company's business office orally or by written notice mailed to the Company's business address. Cancellation of Service must be by written notice.

2.14 Restoration of Service

If service has been discontinued for nonpayment or as otherwise provided herein and the Customer wishes it continued, service shall, at BCE's discretion, be restored when all past due amounts are paid or the event giving rise to the discontinuance (if other than nonpayment) is corrected.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.15 Schools and Libraries Discount Program

2.15.1 General

The Schools and Libraries Discount Program permits eligible schools (public and private, grades Kindergarten through 12) and libraries to purchase BCE services offered in this Tariff at a discounted rate, in accordance with the Rules adopted by the FCC in its Universal Service Order 97-157, issued May 8, 1997. The Rules are codified at 47 Code of Federal Regulation (C.F.R.) 54.500 *et. seq*.

As indicated in the Rules, the discounts will be between twenty (20) and ninety (90) percent of the pre-discount price, which is the price of services to schools and libraries prior to application of a discount. The level of discount will be based on an eligible school or library's level of economic disadvantage and by its location in either an urban or rural area. A school's level of economic disadvantage will be determined by the percentage of its students eligible for participation in the national school lunch program, and a library's level of economic disadvantage will be calculated on the basis of school lunch eligibility in the public school district in which the library is located. A non-public school may use either eligibility for the national school lunch program or other federally approved alternative measures to determine its level of economic disadvantage. To be eligible for the discount, schools and libraries will be required to comply with the terms and conditions set forth in the rules. Discounts are available only to the extent that they are funded by the federal universal service fund. Schools and libraries may aggregate demand with other eligible entities to create a consortium.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.15 Schools and Libraries Discount Program (Cont'd)

2.15.2 Regulations

(a) Obligation of eligible schools and libraries:

1. Requests for service:

(a) Schools and libraries and consortia shall participate in a competitive bidding process for all services eligible for discounts, in accordance with any state and local procurement rules.

(i) Schools and libraries and consortia shall submit requests for services to the Schools and Libraries Division, as designated by the FCC, and follow established procedures.

(ii) Services requested will be used for educational purposes.

(iii) Services will not be sold, resold or transferred in consideration for money or any other thing of value.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.15 Schools and Libraries Discount Program (Cont'd)

2.15.2 Regulations (Cont'd)

(b) Obligations of BCE:

1. BCE will offer discounts to eligible schools and libraries on commercially available telecommunications services contained in this Tariff.

2. BCE will offer services to eligible schools, libraries and consortia at prices no higher than the lowest price it charges to similarly situated non-residential customers for similar services (lowest corresponding price).

3. In competitive bidding situations, BCE may offer flexible pricing or rates other than in this Tariff, where specific flexible pricing arrangements are allowed.

2.15.3 Discounted Rates for Schools and Libraries

(a) Discounts for eligible schools and libraries and consortia shall be set as a percentage from the pre-discount price, which is the price of services to schools and libraries prior to application of a discount.

(b) The discount rate will be applied to all commercially available telecommunications services purchased by eligible schools, libraries or consortia.

(c) The discount rate is based on each school or library's level of economic disadvantage as determined in accordance with the Commission's Rules and by its location in either urban or rural area.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.15 Schools and Libraries Discount Program (Cont'd)

2.15.3 Discounted Rates for Schools and Libraries (Cont'd)

(d) The discount matrix for eligible schools, libraries and consortia are as follows:

% Of Students Eligible For National School Lunch Program	% Of U.S. Schools	Urban Discount	Rural Discount
< 1%	3%	20%	25%
1% - 19%	31%	40%	50%
20% - 34%	19%	50%	60%
35% - 49%	15%	60%	70%
50% - 74%	16%	80%	80%
75% - 100%	16%	90%	90%

SECTION 3 -SERVICE DESCRIPTIONS

3.1 General

BCE offers intrastate interexchange telecommunications services for communications originating and terminating within the State of Arizona under terms of this Tariff.

Customers are billed based on their use of BCE's services. Charges may vary by service offering, class of call, service, and/or service location.

Some services offered by BCE are available only pursuant to Individually Negotiated Contract ("ICB"). Rates for these services are listed as "ICB".

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SECTION 3 - SERVICE DESCRIPTIONS (CONT'D)

3.2 Global Internet Protocol Virtual Private Network Service

3.2.1 Nature of Service

The Global Internet Protocol Virtual Private Network ("IP VPN") service is a suite of digital data network services compliant with international Internet Protocol standards that provides digital data transmission paths between multiple customer locations based on a variety of Service Connections to the BCE Global IP VPN network and the public Internet as well as customer premises equipment provided and/or managed by BCE. Service configurations are dedicated to a customer and available in a variety of industry standard speeds and feature sets.

Access facilities between the BCE Global IP-VPN network or the public Internet and a customer's premises can be arranged for separately by the customer or procured by BCE through a 3rd party vendor of local exchange services and/or public Internet services.

Rates and charges for Service Connections, service configurations, equipment and local access arrangements vary depending on customer locations, features selected and bandwidth requirements. Rates include non-recurring charges for set-up and installation of service elements plus monthly recurring charges for a minimum one year term.

SECTION 3 - SERVICE DESCRIPTIONS (CONT'D)

3.3 Frame Relay Service

3.3.1 Nature of Service

Global Frame Relay service is a high-speed digital data network service compliant with international Frame Relay interface standards that provides a digital data transmission path between two customer locations based on a Service Connection to the BCE Global Frame Relay network and a Permanent Virtual Circuit ("PVC") between two Service Connections. The Service Connection at one end of a circuit path may be of a different service type. Service Connections and PVCs are dedicated to a customer and available in a variety of industry standard speeds and PVC Committed Information Rate ("CIR") speeds.

Access facilities between the BCE Global Frame Relay network and a customer's premises can be arranged for separately by the customer or procured by BCE through a 3rd party vendor of local exchange services.

Rates and charges for Service Connections, PVCs and local access arrangements vary depending on customer locations and bandwidth requirements. Rates include non-recurring charges for set-up and installation of service elements plus monthly recurring charges for a minimum one year term.

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SECTION 3 - SERVICE DESCRIPTIONS (CONT'D)

3.4 Global Private Line Service

3.4.1 Nature of Service

Global Private Line service is a high-speed digital data network service compliant with international digital Private Line interface standards that provides a dedicated digital data transmission path between two customer locations based on a Service Connection to the BCE Global Private Line network. The Service Connection at one end of a circuit path may be of a different service type or provided and billed by another supplier as a half-circuit. Service Connections are dedicated to a customer and available in a variety of industry standard speeds.

Access facilities between the BCE Global Private Line network and a customer's premises can be arranged for separately by the customer or procured by BCE through a 3rd party vendor of local exchange services.

Rates and charges for Service Connections and local access arrangements vary depending on customer locations and bandwidth requirements. Rates include non-recurring charges for set-up and installation of service elements plus monthly recurring charges for a minimum one year term.

SECTION 3 - SERVICE DESCRIPTIONS (CONT'D)

3.5 Global ATM Service

3.5.1 Nature of Service

Global ATM service is a high-speed digital data network service compliant with international Asynchronous Transmission Mode interface standards that provides a digital data transmission path between two customer locations based on a Service Connection to the BCE Global ATM network and a Permanent Virtual Circuit ("PVC") between two Service Connections. The Service Connection at one end of a circuit path may be of a different service type. Service Connections and PVCs are dedicated to a customer and available in a variety of industry standard speeds. Two types of PVCs are offered; Constant Bit Rate ("CBR") and Variable Bit Rate ("VBR") in a variety of industry standard Sustained Cell Rate ("SCR") speeds.

Access facilities between the BCE Global ATM network and a customer's premises can be arranged for separately by the customer or procured by BCE through a 3rd party vendor of local exchange services.

Rates and charges for Service Connections, PVCs and local access arrangements vary depending on customer locations and bandwidth requirements. Rates include non-recurring charges for set-up and installation of service elements plus monthly recurring charges for a minimum one year term.

SECTION 3 - SERVICE DESCRIPTIONS (CONT'D)

3.6 Broadcast and Image Services

3.6.1 Nature of Service

The BCE Broadcast and Image Services is a suite of on-demand digital video transport services, from 8 Mbps to 270 Mbps. Services are available on a full-time dedicated facility basis or an occasional ad-hoc basis (hours/days) for media event coverage. Interfaces to the television facility are compliant with SMPTE (Society of Motion Picture and Television Engineers), ISO-MPEG (International Standards Organization – Motion Picture Experts Group), ITU-R (International Telecommunications Union - Radio Communication Sector), ETSI (European Telecommunications Standards Institute) and AES/EBU (Audio Engineering Society / European Broadcast Union) standards.

Service configurations can either be dedicated to a customer or utilized on a customer shared basis. Services are available in a variety of industry standard bandwidths and feature sets.

Access facilities between the BCE Digital Video network and a customer's premises can be arranged for separately by the customer or procured by BCE through a third party vendor of local video exchange services.

Rates and charges for service connections, service configurations, equipment and local access arrangements vary depending on customer locations, features selected, duration of service event and bandwidth requirements. Rates include non-recurring charges for set-up and installation of service elements plus monthly recurring charges.

SECTION 4 -RATES

4.1 Global Internet Protocol Virtual Private Network Service

4.1.1 Recurring and Non-recurring Charges

(a) The following per minute rates apply to all virtual private network switched and dedicated calls as specified below:

Service Options	Monthly Recurring Charge	Non-recurring Service Charge
Service Connection	ICB	ICB
IP Security	ICB	ICB
Class of Service	ICB	ICB
Dedicated Internet	ICB	ICB
Remote Access	ICB	ICB

SECTION 4 - RATES (CONT'D)

4.2 Global Frame Relay Service

4.2.1 Recurring and Non-recurring Charges

Service Connection	Monthly Recurring Charge	Non-recurring Service Charge
56 Kbps	$ 280.00	$ 450.00
64 Kbps	$ 290.00	$ 450.00
128 Kbps	$ 525.00	$ 550.00
256 Kbps	$ 760.00	$ 550.00
384 Kbps	$ 895.00	$ 550.00
512 Kbps	$ 1,175.00	$ 550.00
768 Kbps	$ 1,345.00	$ 550.00
1,544 Kbps (DS1)	$ 2,110.00	$ 550.00
45 Mbps (DS3)	$ 6,180.00	$ 1,800.00

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SECTION 4 - RATES (CONT'D)

4.2 Global Frame Relay Service (Cont'd)

4.2.1 Recurring and Non-recurring Charges (Cont'd)

PVC* CIR (duplex/bi-directional)	**Monthly Recurring Charge**	**Non-recurring Service Charge**
4 Kbps	$ 20.00	$ 200.00
8 Kbps	$ 24.00	$ 200.00
16 Kbps	$ 35.00	$ 200.00
32 Kbps	$ 60.00	$ 200.00
48 Kbps	$ 75.00	$ 200.00
64 Kbps	$ 85.00	$ 200.00
128 Kbps	$ 170.00	$ 200.00
192 Kbps	$ 230.00	$ 200.00
256 Kbps	$ 300.00	$ 200.00
384 Kbps	$ 440.00	$ 200.00
512 Kbps	$ 590.00	$ 200.00
768 Kbps	$ 875.00	$ 200.00
1024 Kbps	$1,100.00	$ 200.00
1536 Kbps	$ 1,590.00	$ 200.00

* PVCs between available BCE network locations

SECTION 4 - RATES (CONT'D)

4.3 Global Private Line Service

4.3.1 Recurring and Non-recurring Charges

	Monthly Recurring Charge		
Service Connection	(each) **Service Connection**	**Mileage** (rate per mile)	**Non-recurring Service Charge**
56/64 Kbps (DS0)	ICB	ICB	ICB
1,544 Kbps (DS1)	ICB	ICB	ICB
45 Mbps (DS3)	ICB	ICB	ICB

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SECTION 4 - RATES (CONT'D)

4.4 Global ATM Service

4.4.1 Recurring and Non-recurring Charges

Service Connection	Monthly Recurring Charge	Non-Recurring Service Charge
DS1	$ 495.00	$ 550.00
DS3	$ 2,175.00	$ 1,800.00
OC3	$ 5,300.00	$ 2,200.00

CBR PVCs* SCR (duplex/bi-directional)	Monthly Recurring Charge	Non-Recurring Service Charge
Constant Bit Rate (CBR)		
1	$ 2,750.00	$ 200.00
2	$ 5,495.00	$ 200.00
5	$ 13,735.00	$ 200.00
10	$ 27,470.00	$ 200.00
15	$ 34,340.00	$ 200.00
20	$ 41,205.00	$ 200.00
45	$ 55,480.00	$ 200.00
Variable Bit Rate (VBR)		
1	$ 905.00	$ 200.00
2	$ 1,810.00	$ 200.00
5	$ 4,520.00	$ 200.00
10	$ 6,775.00	$ 200.00
15	$ 9,050.00	$ 200.00
20	$ 11,295.00	$ 200.00
45	$ 19,892.00	$ 200.00

* PVCs between available BCE network locations

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SECTION 4 - RATES (CONT'D)

4.5 Broadcast and Image Services

4.5.1 Full-Time Recurring Charges

Service Options	Monthly Recurring Charge	Non-recurring Service Charge
Service Connection	ICB	ICB
Access local loops	ICB	ICB
SDI/SDTI (270 Mbps)	ICB	ICB
DVB-ASI (8 – 270Mbps)	ICB	ICB
MPEG (8 – 50Mbps)	ICB	ICB

4.5.2 Occasional Charges – Uni-directional

Service Options	Initial 15 Minutes	Additional 15 Minutes	Hour Reference
Service Connection	ICB	ICB	ICB
Access local loops	ICB	ICB	ICB
SDI/SDTI (270 Mbps)	$200	$190	$800
DVB-ASI (270Mbps)	$200	$190	$800
DVB-ASI (100 Mbps)	ICB	ICB	ICB
DVB-ASI (50 Mbps)	ICB	ICB	ICB
DVB-ASI (20 Mbps)	ICB	ICB	ICB
DVB-ASI (8 Mbps)	ICB	ICB	ICB
MPEG (50 Mbps)	$150	$150	$500
MPEG (20 Mbps)	$125	$100	$380
MPEG (8 Mbps)	$100	$60	$275

Bi-directional rates = 1.7 X uni-directional rate

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SECTION 5 -SPECIAL PROMOTIONAL OFFERINGS

5.1 General

From time to time BCE shall, at its option, promote subscription or stimulate network usage by offering to waive some or all of the nonrecurring or recurring charges for the Customer (if eligible) of target services for a limited duration. Such promotions shall be made available to all similarly situated Customers in the target market area(s).

SECTION 6 -CONTRACT SERVICES

6.1 General

At BCE's option, service may be offered on an Individual Case Basis to meet specialized requirements of the Customer not contemplated in this Tariff. The terms of each contract shall be mutually agreed upon between the Customer and BCE and may include discounts off of rates contained herein, waiver of recurring or nonrecurring charges, charges for specially designed and constructed services not contained in BCE's general service offerings, or other customized features. The terms of the contract may be based partially or completely on the term and volume commitment, type of originating or terminating access, mixture of services or other distinguishing features.

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SECTION 7 -LEGISLATIVE, REGULATORY OR JUDICIAL ACTIVITY

7.1 General

Notwithstanding any statement to the contrary contained in this Tariff, in the event that any regulatory agency, legislative body or court of competent jurisdiction promulgates regulations or modifies existing ones including, without limitation, regulations regarding payphone compensation, access charges and/or universal service ("Regulatory Activity"), BCE reserves the right, at any time and without notice to: (i) pass through to the Customer all, or a portion of, any charges or surcharges directly or indirectly related to such Regulatory Activity; or (ii) modify the rates, including any rate guarantees, and/or terms and conditions contained in this Tariff to reflect the impact of such Regulatory Activity.

EXHIBIT C

EXHIBIT C

AFFIDAVITS OF PUBLICATION

Applicant is in the process of publishing the required notices and obtaining the required affidavits of publication. Applicant shall supplement its application with such information as soon as it is available.

EXHIBIT D

BCE Nexxia Corporation
Demonstration of Financial Capability

As a company which is majority owned and controlled by Bell Canada Enterprises Inc. ("BCE"), the largest communications company in Canada, BCE Nexxia Corporation's financial information is incorporated in the consolidated financial statements of its parent company.[1] A copy of BCE's consolidated audited financial statements for the last two years is attached.

BCE is a leading integrated communications company which is publicly-traded on both the Toronto Stock Exchange and the New York Stock Exchange under the symbol (BCE). BCE currently owns numerous telecommunications companies, including Bell Canada, Bell Mobility, and Bell Nexxia. As indicated in the attached 2001 consolidated financial statements, BCE's consolidated revenue for the year was CAN$21.7 billon, and EBITDA was CAN$7.5 billion. For the fourth quarter of 2002, the company reported operating revenue of CAN$5.2 billion, and EBITDA of CAN$1.9 billion.

The attached financial documents demonstrate that BCE Nexxia Corporation clearly possesses the requisite financial capability to provide intrastate telecommunications services in this State.

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[1] *See* Consolidated Financial Statements – BCE Inc., 2001 Annual Report at p. 28 (entities that the Corporation has the ability to significantly influence are accounted for using the equity method).

Relevant Excerpts From 2001 Annual Report Bell Canada Enterprises

CONSOLIDATED STATEMENTS OF OPERATIONS

For the year ended December 31 ($ millions, except share amounts)	Notes	2001	2000
Operating revenues		21,711	17,432
Operating expenses		14,244	10,646
Amortization expense		4,691	3,631
Net benefit plans credit		(121)	(109)
Restructuring and other charges	(4)	1,177	–
Total operating expenses		19,991	14,168
Operating income		1,720	3,264
Other income (expense)	(5)	3,854	(189)
Earnings from continuing operations before the under-noted items		5,574	3,075
Interest expense – long-term debt		1,205	1,003
– other debt		362	258
Total interest expense		1,567	1,261
Earnings from continuing operations before income taxes and non-controlling interest		4,007	1,814
Income taxes	(6)	1,556	1,323
Non-controlling interest		32	179
Earnings from continuing operations		2,419	312
Discontinued operations	(7)	(1,896)	4,549
Net earnings		523	4,861
Dividends on preferred shares		(64)	(79)
Net earnings applicable to common shares		459	4,782
Net earnings per common share – basic	(8)		
Continuing operations		2.92	0.35
Net earnings		0.57	7.43
Net earnings per common share – diluted	(8)		
Continuing operations		2.89	0.32
Net earnings		0.56	7.04
Dividends per common share		1.20	1.24
Average number of common shares outstanding (millions)		807.9	670.0

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the year ended December 31 ($ millions)	Notes	2001	2000
Balance at beginning of year		1,521	7,894
Net earnings		523	4,861
Dividends – Preferred shares		(64)	(79)
– Common shares		(969)	(849)
– Distribution of Nortel Networks common shares	(7)	–	(10,114)
		(1,033)	(11,042)
Premium on redemption of common shares	(16)	(108)	(216)
Other		–	24
Balance at end of year		903	1,521

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

At December 31 ($ millions)	Notes	2001	2000
ASSETS			
Current assets			
Cash and cash equivalents		569	260
Accounts receivable		4,118	4,344
Other current assets		1,213	2,096
Total current assets		5,900	6,700
Investments	(9)	1,106	1,648
Capital assets	(10)	26,599	22,301
Future income taxes	(6)	1,004	1,117
Other long-term assets	(11)	3,651	3,313
Goodwill and other intangible assets		16,075	16,304
Total assets		54,335	51,383
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		5,792	5,486
Income and other taxes payable		681	144
Debt due within one year	(11)	5,263	5,884
Total current liabilities		11,736	11,514
Long-term debt	(12)	14,861	14,044
Future income taxes	(6)	924	715
Other long-term liabilities	(11)	4,129	3,885
Total liabilities		31,650	30,158
Non-controlling interest	(14)	5,695	3,764
Commitments and contingencies	(19)		
SHAREHOLDERS' EQUITY			
Preferred shares	(15)	1,300	1,300
Common shareholders' equity	(16)		
Common shares		13,827	13,833
Contributed surplus		980	985
Retained earnings		903	1,521
Currency translation adjustment		(20)	(178)
Total common shareholders' equity		15,690	16,161
Total shareholders' equity		16,990	17,461
Total liabilities and shareholders' equity		54,335	51,383

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors:

(signed) J. Edward Newall, Director

(signed) Victor L. Young, Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31 ($ millions)

	2001	2000
Cash flows from operating activities		
Earnings from continuing operations	2,419	312
Adjustments to reconcile earnings from continuing operations to cash flows from operating activities:		
Amortization expense	4,691	3,631
Restructuring and other charges	963	–
Gains and losses on reduction of ownership in subsidiaries and joint ventures and on disposal of investments	(3,964)	77
Future income taxes	498	(139)
Other items	(508)	(93)
Changes in non-cash working capital components	546	(1,473)
	4,645	2,315
Cash flows from investing activities		
Capital expenditures	(7,396)	(4,118)
Investments	(1,165)	(4,674)
Divestitures	4,961	717
Other items	246	(209)
	(3,354)	(8,284)
Cash flows from financing activities		
Increase (decrease) in notes payable and bank advances	(2,098)	3,481
Issue of long-term debt	2,607	2,593
Repayment of long-term debt	(1,582)	(1,636)
Issue of common shares	71	36
Purchase of common shares for cancellation	(191)	(384)
Dividends paid on common and preferred shares	(1,033)	(928)
Issue of common shares, preferred shares, convertible debentures and equity-settled notes by subsidiaries to non-controlling interest	1,460	568
Redemption of preferred shares by subsidiaries	(471)	(295)
Dividends paid by subsidiaries to non-controlling interest	(385)	(260)
Other items	62	87
	(1,560)	3,262
Effect of exchange rate changes on cash and cash equivalents	7	(69)
Cash used in continuing operations	(262)	(2,776)
Cash provided by discontinued operations	571	641
Net increase (decrease) in cash and cash equivalents	309	(2,135)
Cash and cash equivalents at beginning of year	260	2,395
Cash and cash equivalents at end of year	569	260
Supplemental disclosure		
Interest paid on long-term debt	1,381	1,309
Income taxes paid	1,348	1,329
Cash restricted to collaterize short-term bank loans	233	–

The accompanying notes are an integral part of these consolidated financial statements.

All amounts are in millions of Canadian dollars except where otherwise noted.

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Certain comparative figures in the consolidated financial statements have been reclassified to conform to the current year presentation. With respect to the financial statements of BCE Inc. (the Corporation), its subsidiaries, joint ventures and its investments in significantly influenced companies (collectively BCE), the significant differences between Canadian and United States GAAP are described and reconciled in Note 20.

CONSOLIDATION

The financial statements of entities which are controlled by the Corporation are consolidated; entities which are jointly controlled by the Corporation, referred to as joint ventures, are accounted for using the proportionate consolidation method; entities that the Corporation has the ability to significantly influence are accounted for using the equity method; and investments in other entities are accounted for using the cost method.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

BCE recognizes operating revenues when earned, as services are rendered or as products are delivered to customers. More specifically:

- Subscriber revenue is recognized to the extent that the service has been made available to customers;
- Advertising revenue is recognized when advertisements are aired or printed and distributed;
- Revenues from sales of equipment are recognized as the equipment is delivered to customers;
- Fees for long distance and wireless services, and other fees, such as licence fees, hosting fees, network access fees, maintenance fees and standby fees are recognized as services are rendered or over the term of the contract; and
- Payments received in advance are deferred until services are rendered or products are delivered to customers.

CASH AND CASH EQUIVALENTS

All highly liquid investments with short-term maturities are classified as cash and cash equivalents.

SALE OF ACCOUNTS RECEIVABLE

Effective July 1, 2001, BCE adopted the new CICA Accounting Guideline 12, *Transfers of Receivables*, (AcG 12) which addresses the accounting requirements for the transfer and servicing of receivables. In accordance with the provisions of AcG 12, Bell Canada continued to account for its Receivables Purchase and Sale Agreement dated October 14, 1997, under the previous accounting guidance. On December 12, 2001, this agreement was terminated and replaced by a new agreement dated December 12, 2001, whereupon Bell Canada sold a co-ownership interest in a pool of present and future eligible accounts receivable to a securitization trust that issued securities to investors. The accounts receivable included in the pool are accounted for as a sale of accounts receivable as Bell Canada surrenders control over the transferred accounts receivable and receives the related proceeds from the trust, other than Bell Canada's beneficial interest in the sold accounts receivable. Losses or gains on these transactions are recognized as other expenses or income. Bell Canada determines fair value based on the present value of future expected cash flows using management's best estimates of key assumptions such as discount rates, weighted average life of accounts receivable and credit loss ratios. The accounts receivable are transferred on a fully-serviced basis. As a result, Bell Canada recognizes a servicing liability on the date of the transfer of accounts receivable to the trust and amortizes this liability to earnings over the expected life of the transferred accounts receivable.

CAPITAL ASSETS

Capital assets are carried at cost less accumulated amortization. Amortization of capital assets is generally computed using the straight-line method, with rates based on the estimated useful lives of the assets. In 2001, the composite amortization rate for plant was approximately 5.6% (6.8% in 2000). The expected useful lives of machinery and equipment are 2 to 20 years, buildings are 10 to 40 years. When depreciable capital assets are retired, the carrying value of such assets is charged to accumulated amortization.

TRANSLATION OF FOREIGN CURRENCIES

Self-sustaining foreign operations are those whose economic activities are largely independent of those of the parent company. For self-sustaining foreign operations, assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during the year. Resulting unrealized gains or losses are accumulated in and reported as a currency translation adjustment in shareholders' equity. On reduction of such investments or on the payment of dividends by a self-sustaining foreign operation, an appropriate portion of the currency translation adjustment is recognized in earnings.

Integrated foreign operations are financially or operationally dependent on the parent company. For integrated foreign operations, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates prevailing during the year. Translation exchange gains and losses of integrated foreign subsidiaries are reflected in earnings.

Monetary assets and liabilities are translated at the rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates prevailing during the year. Unrealized translation gains and losses on assets and liabilities denominated in foreign currencies are reflected in earnings for the year, except for gains and losses on long-term monetary assets and liabilities, such as long-term debt, which are reported as deferred charges (credits) and amortized to earnings on a straight-line basis over the remaining lives of the related items.

Refer to Future accounting changes for amendments to the accounting policies for translation of foreign currencies effective January 1, 2002.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS

BCE uses a combination of derivative financial instruments to manage its interest and foreign exchange risk exposures. In addition, BCE uses a combination of derivative and non-derivative instruments to manage its Special Compensation Payments (SCPs) exposure (Notes 13 and 17). BCE does not trade derivative financial instruments for speculative purposes.

Gains and losses on forward contracts and cross currency swaps used to hedge foreign investments are deferred and reported as part of the currency translation adjustment in shareholders' equity. Gains and losses on forward contracts, cross currency swaps and foreign currency option contracts used to manage exposure to foreign exchange rates and forward contracts used to manage SCP exposure are recognized on the same basis as the gains and losses on the hedged item. Amounts receivable or payable under interest rate swaps are accrued and recorded as adjustments to interest expense. Gains and losses related to hedges of anticipated transactions are recognized in earnings or recorded as adjustments of carrying values when the hedged transaction occurs. Any premiums paid with respect to financial instrument contracts are deferred and expensed to earnings over the contract period.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess, at the dates of acquisition, of the cost of investments over the fair value of the net identifiable assets acquired and is amortized on a straight-line basis, over its estimated useful life, up to a period of 40 years. Intangible assets are amortized on a straight-line basis over their useful lives, a period of 15 to 20 years for licenses. BCE assesses the impairment of goodwill and other intangible assets when events or changes in circumstances indicate that the carrying value may not be recoverable. A determination of impairment is then made based on estimates of undiscounted future cash flows and any impairment is charged to earnings. Total goodwill amortization charged to earnings from continuing operations amounted to $1,260 million in 2001 ($485 million in 2000). Refer to Future accounting changes for the accounting policies for goodwill and other intangible assets effective January 1, 2002. Goodwill resulting from business acquisitions on or after July 1, 2001 is not being amortized.

EMPLOYEE BENEFIT PLANS

The Corporation and most of its significant subsidiary companies maintain non-contributory defined benefit plans that provide for pensions for substantially all their employees based on length of service and rate of pay, as well as other retirement benefits such as certain health care and life insurance benefits on retirement and various disability plans, workers' compensation and medical benefits to former or inactive employees, their beneficiaries and covered dependants, after employment but before retirement, under specified circumstances.

BCE accrues its obligations under employee benefit plans and the related costs, net of plan assets. Pension costs and other retirement benefits earned by employees are actuarially determined using the projected benefit method pro-rated on service and based on management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Pension plan assets are valued at fair value, using a market-related value approach, which is also used in calculating the expected return on plan assets. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of the employees active at the date of amendment. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation or the fair value of plan assets is amortized over the average remaining service period of active employees. When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement. A valuation is performed at least every three years to determine the actuarial present value of the accrued pension and other retirement benefits.

INCOME TAXES

BCE uses the liability method of accounting for income taxes. Future income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes, computed based on rates and provisions of enacted and substantially enacted tax law.

SUBSCRIBER ACQUISITION COSTS

BCE subsidizes the cost of the Direct to Home (DTH) satellite hardware equipment sold to its customers. These subsidies are deferred and amortized over three years. In addition, wireless subscriber acquisition costs are deferred and amortized over the terms of the contracts, which normally do not exceed twenty-four months. All other subscriber acquisition costs are expensed as incurred.

STOCK-BASED COMPENSATION PLANS

The Corporation's stock-based compensation plans consist primarily of the Employees' Savings Plan (ESP) and the Long-Term Incentive (Stock Option) Programs, which, prior to 2000, may also have included SCPs, which are described in Note 17. No compensation expense is recognized for these plans when shares or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of shares is credited to share capital. A compensation expense is recognized for the Corporation's portion of the contributions made under the ESP.

EARNINGS PER SHARE

Effective January 1, 2001, BCE adopted the revised recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook section 3500, *Earnings Per Share (EPS)*. The revised Handbook section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the treasury stock method is used to compute the dilutive effect of options, warrants and similar instruments as opposed to the previously used imputed earnings approach. The section also requires that a reconciliation of the calculation of the basic and diluted EPS computations be disclosed. The revised recommendations were applied retroactively with restatement of prior periods.

FUTURE ACCOUNTING CHANGES

The CICA recently issued new Handbook Sections 1581, Business Combinations, and 3062, Goodwill and Other Intangible Assets. Effective July 1, 2001, the standards require that all business combinations be accounted for using the purchase method. Goodwill resulting from business acquisitions on or after July 1, 2001 is not being amortized. Additionally, effective January 1, 2002, goodwill and intangible assets with an indefinite life will no longer be amortized to earnings and will be assessed for impairment on an annual basis in accordance with the new standards, including a transitional impairment test whereby any resulting

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

impairment will be charged to opening retained earnings. BCE's management is currently evaluating the impact of the adoption of the new standards, and although it is likely, particularly for BCE Teleglobe, that the transitional impairment test will result in a significant impairment charge, BCE's management has not yet completed the assessment of the quantitative impact on its financial statements.

In addition, the CICA recently issued amendments to Handbook Section 1650, Foreign Currency Translation. Effective January 1, 2002, the standards require that all unrealized translation gains and losses on assets and liabilities denominated in foreign currencies be included in earnings for the year, including gains and losses on long-term monetary assets and liabilities, such as long-term debt, which were previously deferred and amortized on a straight-line basis over the remaining lives of the related items. These amendments will be applied retroactively with restatement of prior periods. At December 31, 2001, included in Other long-term assets was $271 million relating to unrealized foreign currency losses.

The CICA also recently issued new Handbook Section 3870, Stock-based compensation and other stock-based payments. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services and applies to transactions, including non-reciprocal transactions, in which an enterprise grants shares of common stock, stock options, or other equity instruments, or incurs liabilities based on the price of common stock or other equity instruments. This Section sets out a fair value based method of accounting and is required for certain stock-based transactions, effective January 1, 2002 and applied to awards granted on or after that date. BCE's management does not expect the adoption of the new standard to have an impact on its financial statements.

2. SEGMENTED INFORMATION

BCE centers its activities around four core operating segments, based on products and services, reflecting the way that the chief operating decision maker classifies its operations for purposes of planning and performance management.

Bell Canada – represents the consolidation of Bell Canada Holdings Inc. (BCH) with Bell Canada and its consolidated subsidiaries (including Bell Mobility Inc., BCE Nexxia Inc. (carrying on business under the name Bell Nexxia) and Bell ActiMedia Inc.) Bell Distribution Inc. and Certen Inc. BCH owns 100% of Bell Canada. In addition, the segment includes the consolidation of Aliant Inc. (Aliant) (approximately 39% held by Bell Canada and approximately 14% held by BCE Inc.), as well as Bell ExpressVu Limited Partnership (Bell ExpressVu). BCE owns 80% of BCH, the remaining 20% is owned by SBC Communications Inc. (SBC). This segment provides connectivity to residential and business customers through wired and wireless voice and data communications, high speed and wireless Internet access, direct-to-home satellite entertainment services, IP-broadband services, e-business solutions, local and long distance phone and directory services.

Bell Globemedia – represents the consolidation of CTV Inc. (CTV), The Globe and Mail, Bell Globemedia Interactive and other media interests. BCE owns 70.1% of Bell Globemedia, while 20% is held by The Thomson Corporation (Thomson) and 9.9% is held by The Woodbridge Company Limited (Woodbridge). This segment provides integrated information, communications and entertainment services to Canadian customers and access to distinctive Canadian content. This segment also allows for the creation of unique destinations for Internet users through the various portal properties.

BCE Teleglobe – represents the global communications and e-business segment of BCE. This segment provides a broad range of international and domestic communication services including voice, Internet connectivity, high-speed data transmission, hosting, broadband, broadcast and other value-added services on a wholesale and retail basis. BCE Teleglobe is a business unit of Teleglobe Inc., which is 77% owned by BCE Inc. and 23% owned by Bell Canada.

BCE Emergis – represents BCE Emergis Inc. (BCE Emergis). This segment provides business to business (B2B) e-commerce infrastructures, strategically focusing on market leadership in the transaction-intensive eHealth and financial services sectors, through its three strategic business units, eHealth Solutions Group, BCE Emergis – Canada and BCE Emergis – U.S.A. BCE owns approximately 65% of BCE Emergis, with the remaining common shares being publicly held.

BCE Ventures – reflects all non-core businesses, including BCE's interests in Bell Canada International Inc. (BCI), Telesat Canada (Telesat), CGI Group Inc. (CGI) and other BCE investments.

The Corporation uses the contribution to consolidated net earnings as the profitability measure for each of its segments. The accounting policies of the segments are the same as those described in Note 1. Inter-segment sales are negotiated on arm's length terms.

The following tables present information by geographic area as well as information about reported segment profits and assets:

GEOGRAPHIC INFORMATION (a)

For the year ended December 31	2001		2000	
	Revenues External customers	Capital assets & goodwill	Revenues External customers	Capital assets & goodwill
Canada	18,514	30,306	16,119	25,218
United States	1,137	6,191	555	10,169
Other foreign countries	2,060	6,177	758	3,218
Total	21,711	42,674	17,432	38,605

(a) The point of origin (the location of the selling organization) of revenues and the location of capital assets and goodwill determine the geographic areas.

2. SEGMENTED INFORMATION (continued)

BUSINESS SEGMENTS

For the year ended December 31, 2001	Bell Canada	Bell Globemedia	BCE Teleglobe	BCE Emergis	BCE Ventures
Operating revenues					
External customers	17,038	1,175	1,745	451	1,403
Inter-segment	216	28	320	205	267
Total operating revenues	17,254	1,203	2,065	656	1,670
Amortization expense	2,934	265	614	452	405
Interest income	11	2	8	5	31
Interest expense	1,118	35	93	33	484
Equity in losses of significantly influenced companies	(26)	(4)	–	–	–
Income taxes recovery (expense)	(870)	(15)	174	(21)	6
Earnings (loss) from continuing operations [a]	689	(150)	(607)	(281)	(310)
Segment assets	26,989	5,139	12,189	1,107	8,348
Capital expenditures	4,815	114	2,206	57	409
For the year ended December 31, 2000					
Operating revenues	15,800	98	326	468	1,402
Amortization expense	2,829	7	52	346	272
Interest income	14	1	4	6	23
Interest expense	1,028	4	39	36	367
Equity in net earnings (losses) of significantly influenced companies	3	15	(122)	–	(9)
Income taxes recovery (expense)	(1,241)	(7)	(27)	6	(17)
Earnings (loss) from continuing operations [a]	994	(78)	(241)	(209)	(361)

(a) Represents each segment's contribution to BCE's net earnings.

RECONCILIATION

For the year ended December 31	2001	2000
Revenues		
Total revenues for reportable segments	22,848	18,094
Corporate and other (including elimination of inter-segment revenues)	(1,137)	(662)
Total consolidated revenues	21,711	17,432
Earnings from continuing operations		
Total earnings (loss) from continuing operations for reportable segments	(659)	105
Corporate and other (including elimination of inter-segment earnings)	3,078	207
Total consolidated earnings from continuing operations	2,419	312

3. BUSINESS ACQUISITIONS AND DISPOSITIONS

2001

BELL GLOBEMEDIA

On January 9, 2001, Bell Globemedia was created. BCE owns 70.1% of Bell Globemedia that includes CTV, The Globe and Mail, Globe Interactive and Sympatico-Lycos. BCE transferred its interests in CTV, Sympatico-Lycos and other miscellaneous media interests to Bell Globemedia. This transaction was accounted for at fair value resulting in the recognition of a $33 million gain on reduction of ownership in subsidiary companies. The acquisition of The Globe and Mail and Globe Interactive was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $172 million, tangible liabilities for $63 million and goodwill for $668 million.

In December 2001, Bell Globemedia Inc. (Bell Globemedia) acquired 29.9% of The Comedy Network for approximately $36 million, bringing its total interest in the Comedy Network to 95.0%. In November 2001, Bell Globemedia completed the acquisition of Report on Business Tv from affiliates of The Thomson Corporation, pursuant to a previous agreement, for which Bell Globemedia had recorded an amount receivable of $60 million on its balance sheet, with the effective purchase price amounting to $61 million. Effective September 1, 2001, Bell Globemedia completed the acquisitions of CFCF-TV and CKY-TV, two CTV affiliated television stations in Montreal and Winnipeg, respectively, for a total aggregate cash consideration of approximately $183 million. The acquisitions were accounted for using the purchase method. The preliminary allocation of the total aggregate purchase price was to tangible assets for $45 million, tangible liabilities for $42 million (including $34 million of benefits and other costs payable on the acquisition) and goodwill and other intangible assets for $277 million.

In November 2001, Bell Globemedia completed the sale of its 40% interest in Sportsnet for a total cash consideration of approximately $138 million. No gain or loss was recognized on the sale.

BCE VENTURES

On March 13, 2001, Telecom Américas, a joint venture of BCI (BCI holds a 41.7% interest in Telecom Américas as at December 31, 2001), announced a number of agreements that will collectively result in the acquisition of an approximate additional 65% economic interest in the Brazilian cellular companies Telet S.A. (Telet) and Americel S.A. (Americel) (increasing Telecom Américas' economic interest to approximately 81% in both companies) for an aggregate purchase price of approximately US $580 million. At December 31, 2001, Telecom Américas had purchased an additional 60% interest in Telet and Americel for approximately US $545 million.

On March 27, 2001, Telecom Américas invested $470 million in Algar Telecom Leste S.A (ATL), increasing Telecom Américas' total economic ownership in ATL from 50% to 59%. Consequently, the accounting for ATL was changed from proportionate consolidation to full consolidation as of that date. As a result of this transaction, BCI indirectly invested $208 million in ATL and increased its effective economic interest from 22.1% to 24.6%. The acquisition of ATL was accounted for using the purchase method. The preliminary allocation of BCI's proportionate interest of the purchase price was to tangible assets for $483 million, tangible liabilities for $360 million and goodwill and other intangible assets for $85 million.

On April 9, 2001, Telecom Américas closed its agreement to acquire a 100% interest in Tess S.A. (Tess), one of two B Band cellular companies operating in the Brazilian state of São Paulo, for a total consideration of approximately US $950 million ($1,480 million, of which $617 million represents BCI's proportionate interest). The consideration consisted of US $319 million in cash and US $631 million in notes payable, which had a fair value of US $571 million, making the effective purchase price US $890 million. The acquisition of Tess was accounted for using the purchase method. The preliminary allocation of BCI's proportionate interest of the purchase price of $617 million was to tangible assets for $793 million, tangible liabilities for $638 million and goodwill and other intangible assets for $462 million.

On July 27, 2001, CGI acquired all of the outstanding common shares of IMRglobal Corp. (IMRglobal), for a total consideration of $553 million, on the basis of 1.5974 Class A subordinate share of CGI for each IMRglobal common share. The acquisition was accounted for using the purchase method. The preliminary allocation of the total purchase price was to tangible assets for $165 million, tangible liabilities for $191 million and goodwill and other intangible assets for $579 million.

On August 31, 2001, Telecom Américas acquired for total consideration of US $210 million a 60% economic interest in Techtel-LMDS Comunicaciones Interativas, S.A. (Techtel), an Argentine broadband company. América Móvil S.A. de C.V. (América Móvil) contributed Techtel to Telecom Américas in exchange for shares based on the September 25, 2000 joint venture agreement. As a result, BCI effectively acquired a 25% economic interest in Techtel for $135 million (US $88 million). The preliminary allocation of BCI's proportionate interest of the purchase price of $135 million was to tangible assets for $112 million, tangible liabilities for $72 million and goodwill and other intangible assets for $95 million.

2000

ALIANT

In January 2000, BCE increased its ownership in Aliant, a provider of telecommunications services, as well as information technology, remote communications services, and Internet-based solutions, from approximately 41% to approximately 53% (at December 31, 2001 approximately 39% held by Bell Canada and approximately 14% held by BCE Inc.). The acquisition was accounted for using the purchase method. The aggregate purchase price was a total cash consideration of $435 million. The allocation of the purchase price was to tangible assets for $2,885 million, tangible liabilities for $2,757 million and goodwill for $307 million. Certain put and call options have been put in place which, if exercised, will transfer the shares acquired by BCE Inc. to Bell Canada on agreed upon terms.

BELL GLOBEMEDIA

In April 2000, BCE completed the acquisition of all of the outstanding common shares of CTV, including the CTV common shares held by Electrohome Broadcasting Inc., for a cash consideration of approximately $2.3 billion. CTV, including its subsidiary NetStar Communications Inc. (NetStar), is a conventional and specialty broadcaster with a local presence across Canada. The CTV shares were transferred to a trustee pending receipt of the Canadian Radio-television and Telecommunications Commission (CRTC) and other regulatory approvals, which were obtained on December 7, 2000. During the time the shares were held by the trustee, the investment in CTV was accounted for using the equity method. Starting in December 2000, BCE's results reflect the consolidation of CTV. As part of the CRTC approval process, an additional 10% (approximately $230 million) of the value of the transaction will be spent by 2007 on initiatives that will benefit the Canadian broadcasting industry (benefits package). The cost of the benefits package has been included as part of the purchase price for the acquisition of CTV, for a total purchase price of approximately $2.5 billion. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $1.7 billion, tangible liabilities for $1.1 billion and goodwill and other intangible assets for $1.9 billion.

3. BUSINESS ACQUISITIONS AND DISPOSITIONS (continued)

TELEGLOBE INC.

On November 1, 2000, BCE completed the acquisition of substantially all of the outstanding common shares that it did not already own of Teleglobe Inc. The aggregate purchase price of $7.4 billion was comprised of $240 million in cash and $7.2 billion in BCE Inc. common shares (approximately 174 million common shares were issued) at $41.20 per BCE Inc. common share, which reflected the average of the high and low of the market value of the shares on November 1, 2000. The acquisition was accounted for using the purchase method. The purchase price allocation relating to the acquisition was finalized in the first quarter of 2001, and was to tangible assets for $3.7 billion, tangible liabilities for $4.4 billion and goodwill for $8.1 billion. As a result of the finalization of the purchase price allocation and the finalization of the fiscal 2000 year-end financial statements of Teleglobe Inc., BCE recorded a charge of $60 million relating to its share of asset write-downs and one-time charges recorded by Teleglobe Inc. in the fourth quarter of 2000.

BCE EMERGIS

On March 24, 2000, BCE Emergis completed the acquisition of all the outstanding shares of United Payors & United Providers, Inc. (UP&UP) of Rockville, Maryland, a provider of health claims processing services in the U.S. The aggregate purchase price was a cash consideration of approximately $824 million, subject to certain adjustments. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $183 million, tangible liabilities for $23 million and goodwill for $664 million.

BCE VENTURES

On November 16, 2000, BCI, America Móvil S.A. de C.V. (America Móvil) and SBC International, Inc. (SBC International) announced the closing of the September 25, 2000 joint venture agreement and the formation of Telecom Américas. The September 25, 2000 agreement was entered into with Telefonos de Mexico S.A. de C.V. (Telmex). However, Telmex subsequently assigned its rights in the joint venture agreement to América Móvil, which now holds the cellular operations and most international investments of Telmex. BCI and América Móvil each held initially a 44.3% interest in Telecom Américas while SBC International holds an 11.4% interest. At closing, Telecom Américas' initial capitalization was approximately US $4 billion and includes the Latin American assets of BCI (excluding Vésper S.A., Vésper São Paulo S.A. and the Internet service provider, Vento Ltda. (collectively, the Vésper companies) and Axtel S.A. de C.V. of Mexico (Axtel), and América Móvil's and SBC International's investments in the Brazilian wireless company ATL-Algar Telecom Leste S.A (ATL)). BCI recorded a gain of $530 million on the contribution of its investments to Telecom Américas at fair value, which is being deferred and amortized on a straight-line basis over approximately 13 years as well as goodwill and other intangible assets amounting to $569 million, upon the contribution of ATL at fair value by its partners.

4. RESTRUCTURING AND OTHER CHARGES

Bell Canada recorded a pre-tax charge of $736 million (BCE's share is $347 million on an after tax basis) in the fourth quarter of 2001, representing restructuring and other charges of $345 million and $391 million, respectively. The restructuring charge is related to employee severance, including enhanced pension benefits and other directly related employee costs, for approximately 2,800 employees, which resulted primarily from a decision to streamline certain management, clerical, line and other support functions.

Other charges consisted primarily of the write-off of wireless (Bell Mobility) capital assets relating mainly to the analog and paging networks and PCS base stations. The restructuring program is expected to be substantially completed in 2002. At December 31, 2001, the remaining unpaid balance of this restructuring provision was $177 million.

BCE Teleglobe recorded a pre-tax charge of $198 million (BCE's share is $126 million on an after tax basis) in 2001, representing restructuring and other charges related to the closing of certain facilities and network costs, employee severance and other related employee costs, for approximately 450 employees, which resulted primarily from a decision to restructure portions of its business due to changing international market conditions, as well as a write-down of certain assets. The restructuring program was substantially completed and as at December 31, 2001, the remaining unpaid balance of this restructuring provision was $52 million.

Bell Canada recorded a pre-tax charge of $239 million (BCE's share is $114 million on an after tax basis) in the first quarter of 2001, representing restructuring and other charges of $210 million and $29 million, respectively, related to employee severance, including enhanced pension benefits and other directly related employee costs, for approximately 1,900 employees, which resulted primarily from a decision to streamline support functions, and the write-off of certain assets. The restructuring program was substantially completed and as at December 31, 2001, the remaining unpaid balance of this restructuring provision was $47 million.

5. OTHER INCOME (EXPENSE)

For the year ended December 31	2001	2000
Gains on disposal of investments (a)	3,798	–
Gains on reduction of ownership in subsidiaries and joint ventures (b)	306	–
Losses on write-down of investments (c)	(149)	–
Equity in net losses of significantly influenced companies	(19)	(90)
Other	(82)	(99)
	3,854	(189)

(a) BCE recorded a gain of approximately $3.7 billion in 2001, relating to the settlement of short-term forward contracts on approximately 47.9 million Nortel Networks Corporation (Nortel Networks) common shares as well as the sale of an equivalent number of Nortel Networks common shares. These transactions resulted in total proceeds of approximately $4.4 billion.

(b) Included in Other income (expense) are gains on the reduction of ownership in subsidiaries and joint ventures in the amount of $306 million in 2001, resulting primarily from the issuance of shares to third parties relating to business acquisitions and public offerings by CGI, Aliant, BCI and BCE Emergis (Note 3).

(c) BCI provided for a $149 million (US $94 million) loss in 2001, relating to a put option that may require BCI to repurchase a third party's indirect stake in Comunicacion Celular S.A. Comcel S.A. (Comcel) at a fixed amount that is greater than its fair value.

6. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates of 40.1% in 2001 (41.9% in 2000) with the reported income taxes is as follows:

For the year ended December 31	2001	2000
Income taxes computed at statutory rates	1,608	760
Gains on reduction of ownership in subsidiaries and joint ventures	(127)	(2)
Losses not tax effected (principally BCI)	217	218
Equity in net losses of significantly influenced companies	(3)	(40)
Gains and losses on disposal of investments	(758)	57
Difference between Canadian statutory rates and those applicable to foreign subsidiaries	43	(5)
Large corporations tax	33	17
Reduction in Canadian statutory rate	48	48
Goodwill amortization	439	214
Other	56	56
Total income tax expense	**1,556**	1,323

Significant components of the provision for income taxes attributable to continuing operations are as follows:

For the year ended December 31	2001	2000
Current income taxes	1,599	1,398
Future income taxes		
Change in temporary differences	(90)	103
Recognition of loss carryforwards	(12)	(229)
Tax rate changes	59	51
Total income tax expense	**1,556**	1,323

The tax effects of temporary differences that gave rise to future tax assets and liabilities from continuing operations are as follows:

At December 31	2001	2000
Non-capital loss carryforwards	813	838
Capital losses carryforward	32	126
Capital assets	62	187
Employee benefit plans	(275)	(378)
Investment tax credits	(63)	(31)
Currency translation adjustments	(5)	13
Difference in accounting and tax basis for investments	71	10
Other	(456)	(313)
Total future income taxes	**179**	452
Future income taxes are comprised of:		
Future income tax asset – current portion	99	50
Future income tax asset – long-term portion	1,004	1,117
Future income tax liability – long-term	(924)	(715)
Total future income taxes	**179**	452

At December 31, 2001, the Corporation has non-capital tax loss carryforwards amounting to approximately $3,316 million, expiring at various dates, as well as approximately $1,376 million that can be carried forward indefinitely relating to BCI's operations in Brazil. In addition, the Corporation has net capital losses amounting to approximately $169 million that can be carried forward indefinitely. For financial reporting purposes, a future tax asset of $845 million has been recognized with respect to these loss carryforwards.

7. DISCONTINUED OPERATIONS

For the year ended December 31	2001	2000
Excel Communications group (Excel) (a)	(2,115)	(33)
BCI Latin American CLECs and Asia Mobile segments (b)	219	607
Nortel Networks (c)	–	4,055
ORBCOMM Global, L.P. (ORBCOMM) (d)	–	(80)
Net earnings (loss) from discontinued operations	(1,896)	4,549

(a) Excel provides retail telecommunications services such as long distance, paging and Internet services to residential and business customers in North America and the U.K. On August 26, 2001, Teleglobe Inc. and certain of its subsidiaries entered into definitive agreements for the sale of Excel's North American operations to an affiliate of VarTec Telecom, Inc. (VarTec). The U.K. operations, which are not part of the transaction, were shut down during the year. Consequently, the results of Excel have been reported as a discontinued operation. The gross proceeds, estimated at approximately US $250 million, will be based on Excel's actual 2001 financial results and will be paid in the form of unsecured five-year interest-bearing promissory notes. After accounting for the discount provision on the notes receivable, closure costs of the U.K. operations, transaction costs, estimated operating losses up to the expected date of disposal and related items, the disposal of Excel will not result in any significant gain or loss. The sale is subject to regulatory and other approvals and is expected to be completed by the end of the first quarter of 2002. The results of operations of Excel include an impairment charge of $2,049 million, recorded in the first quarter of 2001, after completion of an assessment of the carrying value of BCE's investment in Excel. The assets of Excel were written down to their estimated net recoverable amount, which was determined using the undiscounted net future cash flows to be generated by these assets. The primary factor contributing to the impairment is a lower than expected operating profit due to a reduction in Excel's forecasted minute volumes and average revenue per minute that are expected to continue in the foreseeable future.

(b) Effective February 23, 2001, BCI sold its 20% equity interest in KG Telecommunications Co. Ltd. (KG Telecom) for an aggregate cash consideration of approximately $785 million. KG Telecom represented BCI's last remaining operation in its Asia Mobile business segment, which in 2000, included also the operations of Hansol M.com. Additionally, effective March 31, 2001, BCI adopted a formal plan of disposal for all of its operations in its Latin American Competitive Local Exchange Carriers (CLECs) business segment, composed of Axtel S.A. de C.V. and the Vésper companies. Consequently, the results of these segments have been reported as discontinued operations. In September 2001, BCI wrote off its carrying value of $86 million in the Vésper companies.

7. DISCONTINUED OPERATIONS (continued)

(c) In May 2000, BCE distributed an approximate 35% interest in Nortel Networks to BCE common shareholders. BCE common shareholders received, for each common share of BCE held, approximately 1.57 post-split common shares of Nortel Networks. Consequently, BCE's results prior to May 2000 reflect its 35% interest in Nortel Networks as a discontinued operation. This transaction was recorded as a distribution (dividend) to shareholders at the pro-rata carrying value of BCE's approximate 37% interest in Nortel Networks prior to the distribution. This resulted in a decrease in the Investment in Nortel Networks of $10 billion, a decrease in Retained earnings of $10.1 billion (including transaction costs of $70 million), and an increase in Currency translation adjustment of $150 million. BCE's remaining interest in Nortel Networks is now being recorded as an investment at cost.

(d) In the third quarter of 2000, Teleglobe Inc. classified its investment in ORBCOMM, a provider of a digital satellite telecommunications system, as a discontinued operation. On September 15, 2000, ORBCOMM voluntarily filed a petition for protection under Chapter 11 of the U.S. Bankruptcy Code. Consequently, BCE's results reflect a $60 million after tax write-down relating to its proportionate interest in ORBCOMM as a discontinued operation. BCE's proportionate interest in ORBCOMM's after-tax losses of $20 million have been reclassified from equity in net earnings (losses) of significantly influenced companies to discontinued operations.

Amounts included in the consolidated balance sheets relating to discontinued operations are as follows:

At December 31	2001	2000
Current assets	605	700
Non-current assets	737	3,569
Current liabilities	(528)	(902)
Non-current liabilities	(251)	(639)
Net assets of discontinued operations	563	2,728

The summarized statements of operations for the discontinued operations are as follows:

For the year ended December 31	2001	2000
Revenue	1,324	662
Operating earnings (loss) from discontinued operations, net of tax	(2,234)	3,692
Gain on discontinued operations, net of tax	416	1,076
Non-controlling interest	(78)	(219)
Net earnings (loss) from discontinued operations	(1,896)	4,549

8. EARNINGS PER SHARE DISCLOSURES

The following is a reconciliation of the numerators and the denominators of the basic and diluted earnings per common share computations for earnings from continuing operations:

For the year ended December 31	2001	2000
Earnings from continuing operations (numerator) ($ millions)		
Earnings from continuing operations	2,419	312
Dividends on preferred shares	(64)	(79)
Earnings from continuing operations – basic	2,355	233
Exercise of put options by CGI shareholders	2	(19)
Earnings from continuing operations – diluted	2,357	214
Weighted average number of common shares outstanding (denominator) (millions)		
Weighted average number of common shares outstanding – basic	807.9	670.0
Exercise of stock options	4.4	2.3
Exercise of put options by CGI shareholders	5.6	3.8
Weighted average number of common shares outstanding – diluted	817.9	676.1

9. INVESTMENTS

At December 31	2001	2000
Investments at equity (a)	521	425
Investments at cost (b)	585	1,223
	1,106	1,648

(a) The goodwill implicit in Investments at equity amounted to $171 million at December 31, 2001 ($181 million in 2000).

(b) Included in Investments at cost is BCE's interest in Nortel Networks, consisting of approximately 13 million shares at December 31, 2001 ($152 million), and 60 million shares at December 31, 2000 ($721 million).

10. CAPITAL ASSETS

At December 31	2001		2000	
	Cost	Net book value	Cost	Net book value
Plant	35,477	14,012	32,490	12,180
Machinery and equipment	8,760	3,820	8,861	4,675
Buildings	2,884	1,561	2,954	1,762
Licenses	2,409	2,061	745	635
Plant under construction	4,475	4,475	2,862	2,862
Land	124	124	128	128
Other	977	546	296	59
	55,106	26,599	48,336	22,301

Amortization of capital assets amounted to $3,331 million in 2001 ($3,084 million in 2000). Total interest cost amounting to $71 million in 2001 ($21 million in 2000) was capitalized as capital assets.

11. SUPPLEMENTARY INFORMATION

At December 31	2001	2000
Other long-term assets (a)		
Accrued benefit asset (Note 18)	**1,838**	1,826
Unrealized foreign currency losses, net of amortization	**271**	287
Long-term notes and other receivables	**253**	197
Other	**1,289**	1,003
	3,651	3,313
Debt due within one year (b)		
Bank advances and notes payable	**3,587**	5,313
Long-term debt due within one year (Note 12)	**1,676**	571
	5,263	5,884
Other long-term liabilities		
Accrued benefit liability (Note 18)	**1,067**	987
CRTC benefits packages	**225**	230
BCE Inc. Series P retractable preferred shares (c)	**400**	400
BCI deferred gain on transfer of assets to Telecom Americas (Note 3)	**486**	527
Other	**1,951**	1,741
	4,129	3,885

(a) Amortization of deferred charges amounted to $62 million in 2001 ($118 million in 2000).

(b) Debt due within one year is expected to either be repaid by internally generated funds or refinanced by the issuance of debt.

(c) At December 31, 2001, 16 million shares were outstanding, carrying an annual dividend rate of $1.60 per share. The shares may be redeemed, at the holder's option, on a quarterly basis on or after July 15, 2002, at a price of $25 per share. The Corporation may, at any time, elect to create a further series of preferred shares into which the Series P shares will be convertible on a share-for-share basis at the option of the holder.

12. LONG-TERM DEBT

At December 31	2001	2000
Bell Canada		
Debentures and notes (weighted average interest rate of 7.5%), due in 2002 to 2054 (a)	**9,057**	7,475
Subordinated debentures (weighted average interest rate of 8.2%), due in 2026 and 2031	**275**	275
Other (b)	**567**	505
Total – Bell Canada	**9,899**	8,255
Aliant		
Debentures, notes and bonds, 6.40% to 12.25%, due in 2002 to 2025 (c) (d) (e)	**1,013**	1,052
Acquisition facility, LIBOR + 3.75%, due in 2003 (f)	**318**	271
Term debt, LIBOR + 3.75%, due in 2005 (f)	**199**	225
Other	**16**	20
Total – Aliant	**1,546**	1,568
Bell Globemedia		
Revolving reducing term credit agreements (g)	**325**	534
Notes, 7.15%, due in 2009, and other	**160**	174
Total – Bell Globemedia	**485**	708
Teleglobe Inc.		
Debentures (US $994 million), 7.20% to 7.70%, due in 2009 to 2029 (h)	**1,583**	1,491
Debentures, 8.00% to 8.85%, due in 2002 to 2026 (i)	**350**	350
Other	**69**	159
Total – Teleglobe Inc.	**2,002**	2,000
BCI		
14.125% Senior deferred coupon bonds (2001 – US $116 million, 2000 – US $125 million) due in 2005	**185**	187
LIBOR + a variable margin (3.25% to 4.25%) Senior term loan (2001 – US $39 million, 2000 – US $73 million) due in varying semi-annual payments ending in 2002	**62**	109
14.0% Senior discount notes (2001 – US $77 million, 2000 – US $79 million) due in 2004	**123**	119
11.0% Senior unsecured notes, redeemable at the option of the issuer, repayable in 2004	**160**	160
Notes (2001 – US $247 million), LIBOR and 3.6%, due in 2004	**393**	–
Term equipment financing (j)	**391**	577
Other (k)	**818**	536
Total – BCI	**2,132**	1,688
Telesat – Notes, 7.40% to 10.75%, due in 2002 to 2008, and other	**371**	301
Total – Other	**102**	95
Total long-term debt	**16,537**	14,615
Less: Amount due within one year (Note 11)	**(1,676)**	(571)
Long-term debt	**14,861**	14,044

12. LONG-TERM DEBT (continued)

BELL CANADA

(a) Debentures and notes include US $400 million maturing in 2006 and 2010 and 300 million Swiss francs, due 2003, swapped into U.S. dollar obligations. In addition, $625 million of long-term debt includes call options permitting early repayment of the principal amounts upon payment of certain premiums.

(b) Included in Other are obligations under capital leases of $66 million ($49 million in 2000), net of loans receivable of $335 million ($256 million in 2000). These obligations resulted from agreements entered into in 1999 and 2001, whereby Bell Canada sold and leased back telecommunication equipment for total aggregate proceeds of $399 million, a portion of which was invested in interest bearing loans receivable. These capital leases, net of loans receivable, were originally issued for US $39 million and have been swapped to Canadian dollar obligations.

ALIANT

(c) All Debentures are issued in series and are redeemable at the option of Aliant prior to maturity at the prices, times and conditions specified in each series. The Debentures are issued under a trust indenture and are unsecured.

(d) The Notes are a combination of both secured and unsecured issues. The unsecured notes have been issued under a trust indenture or under long-term floating rate facilities. Certain notes are secured by debentures containing a floating charge over certain assets.

(e) All Bonds are issued in series and are redeemable at the option of Aliant prior to maturity at the prices, times and conditions specified in each series. The Bonds are secured by a Deed of Trust and Mortgage and by supplemental deeds. These instruments contain a first fixed and specific mortgage, a pledge and charge upon all real and immovable property and equipment of Aliant Telecommunications Inc., and a floating charge on all other property of Aliant Telecommunications Inc., both present and future.

(f) As collateral for the acquisition facility and term debt, Stratos Global Corporation has provided a first priority perfected security interest over all its assets.

BELL GLOBEMEDIA

(g) CTV has entered into revolving reducing term credit agreements, expiring in 2002 and 2006, and has accordingly classified this bank indebtedness as long-term. These agreements are collateralized by assets of CTV and NetStar and require certain financial ratios to be met on a quarterly basis and impose certain covenants and maintenance tests and restrict the payment of dividends. Amounts borrowed under these facilities bear interest at prime to prime plus 0.5% to 1.75% dependent on specified financial ratios and the form of funds received. CTV has fixed interest rates through swap agreements on $130 million of bank indebtedness. As at December 31, 2001, the prime rate was 4%.

TELEGLOBE INC.

(h) The 7.20% and 7.70% debentures issued on July 20, 1999 are unsecured and redeemable at any time by Teleglobe Inc. They are fully and unconditionally guaranteed by Teleglobe Holdings (U.S.) Corporation. They were issued under a trust indenture providing for the creation of a debenture in the principal amount of US $1 billion. On August 18, 1999, the trust indenture for both debentures was modified to procure for holders of the 7.20% debentures the option to sell the debentures back to Teleglobe Inc. at par on July 20, 2005, and for holders of the 7.70% debentures, the option to sell the debentures back to Teleglobe Inc. at par on July 20, 2011.

(i) The 8.85%, 8.35% and 8.00% debentures issued in 1992, 1993 and 1996, respectively, are unsecured and redeemable at any time by Teleglobe Inc. They were each issued under a trust indenture providing for the creation of a debenture in the principal amount of $350 million. They are fully and unconditionally guaranteed by Teleglobe Holdings (U.S.) Corporation.

BCI

(j) Term equipment financing at LIBOR plus 2.5% to 10% due at different dates no later than 2005. As at December 31, 2001, the one-month LIBOR rate was 1.87%.

(k) Other consists mainly of bank loans and other financing at various rates due at different dates no later than 2009.

LONG-TERM DEBT MATURITIES

Long-term debt maturities are summarized below:

	2002	2003	2004	2005	2006	Thereafter	Total
Bell Canada	858	1,498	298	812	546	5,887	**9,899**
Aliant	85	330	197	251	1	682	**1,546**
Bell Globemedia	–	140	–	–	195	150	**485**
Teleglobe Inc.	143	140	16	967	8	728	**2,002**
BCI	482	318	678	298	111	245	**2,132**
Telesat	78	3	3	3	153	131	**371**
Other	30	26	13	16	–	17	**102**
Total	**1,676**	**2,455**	**1,205**	**2,347**	**1,014**	**7,840**	**16,537**

The commercial paper programs of BCE Inc., Bell Canada and Aliant (excluding BCE Inc.'s and Bell Canada's extendable Class E Notes) are supported by lines of credit, extended by several banks, totalling $2 billion at December 31, 2001, under which a total of approximately $275 million in commercial paper was outstanding. In addition, Bell Canada had approximately $130 million of Class E Notes outstanding (nil at BCE Inc.). Under their commercial paper programs, BCE Inc. and Bell Canada may issue Class E Notes that are not supported by any committed lines of credit but are instead extendable, at BCE Inc.'s and Bell Canada's option, in certain circumstances. The maximum principal amount of Class E Notes outstanding at any one time may not exceed $360 million in the case of BCE Inc. and $400 million in the case of Bell Canada.

13. FINANCIAL INSTRUMENTS

RISK MANAGEMENT

BCE periodically uses various derivative instruments to manage its foreign currency and interest rate positions and to diversify its access to capital markets. The derivative instruments entered into by BCE include interest rate swaps, interest rate caps, cross currency swaps, forward contracts, forward rate agreements and foreign currency denominated options.

CREDIT RISK

BCE is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments, but does not anticipate non-performance by any of the counterparties. BCE deals only with highly rated financial institutions and monitors the credit risk and credit standing of counterparties on a regular basis. BCE manages its exposure to ensure that there is no substantial concentration of credit risk

13. FINANCIAL INSTRUMENTS (continued)

resulting from derivative contracts with any particular counter party. In addition, BCE is exposed to credit risk from customers. However, BCE's businesses have a large number of diverse customers that minimizes the concentration of this risk.

CURRENCY EXPOSURES

At December 31, 2001, principal amounts to be received under cross currency contracts include SF 300 million, US $179 million and $806 million, whereas principal amounts owed under cross currency contracts include US $730 million and $274 million. Of the $16.5 billion of total long-term debt, $4.2 billion is exposed to fluctuations in foreign exchange rates.

INTEREST RATE EXPOSURES

Long-term debt is issued mainly at fixed interest rates and notes payable are issued at market rates for commercial paper. Of the $16.5 billion of total long-term debt and $1.3 billion of preferred shares, $2.4 billion and $200 million, respectively, are exposed to fluctuations in interest rates.

FAIR VALUE

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments of the same risk, principal and remaining maturities. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk. Potential income taxes and other expenses that would be incurred on disposition of these financial instruments have not been reflected in the fair values. Therefore, due to the use of subjective judgement and uncertainties, the aggregate fair value amount should not be interpreted as being realizable in an immediate settlement of the instruments.

The carrying value of all financial instruments approximates fair value with the following exceptions:

At December 31	2001		2000	
	Carrying value	**Fair value**	Carrying value	Fair value
Investment in Nortel Networks (a)	**167**	**154**	721	2,907
Long-term debt due within one year	**1,676**	**1,669**	571	572
Long-term debt	**14,861**	**15,652**	14,044	14,707
Derivative financial instruments, net assets (liability) position:				
Forward contracts				
– Nortel Networks shares (a)	**–**	**–**	–	2,005
Forward contracts				
– BCE Inc. shares	**(24)**	**(31)**	10	19
Cross currency contracts (b)	**(50)**	**(53)**	58	62
Interest rate swaps	**–**	**75**	–	31

(a) During the second and fourth quarters of 2000, BCE entered into forward contracts, for up to one year, with several financial institutions to hedge its exposure to fluctuations in the market price of Nortel Networks common shares in relation to the monetization of such shares. As a result of these contracts, approximately 47.9 million of BCE's 60 million Nortel Networks common shares were hedged at an average price of approximately $90 per share. In the first quarter of 2001, BCE settled the short-term forward contracts on approximately 47.9 million Nortel Networks common shares and sold an equivalent number of Nortel Networks common shares. An additional six million of BCE's approximate 13 million Nortel Networks common shares have been designated as a hedge of BCE's exposure to outstanding rights to SCPs (Note 17).

(b) Amounts receivable or payable under cross currency contracts are included in current assets, deferred charges or liabilities, as appropriate.

SALE OF ACCOUNTS RECEIVABLE

Under an agreement effective October 14, 1997, Bell Canada sold accounts receivable for aggregate cash proceeds of $650 million. On December 12, 2001, this agreement was terminated and replaced by a new agreement dated December 12, 2001, whereupon Bell Canada sold a co-ownership interest in a pool of present and future eligible accounts receivable to a securitization trust that issued securities to investors for aggregate cash proceeds of $875 million. As at December 31, 2001, Bell Canada is carrying a retained interest in the transferred accounts receivable of $76 million. Bell Canada estimates the fair value of the retained interests and calculates the loss on sale using a present value of estimated cash flows model.

Under an agreement effective December 13, 2001, Aliant sold accounts receivable to a securitization trust for aggregate cash proceeds of $150 million. Pursuant to the agreement the Company transferred $177 million of accounts receivable to the trust. The excess of amounts transferred over the $150 million sold represents the Company's retained interest and the amount of overcollateralization in the receivables transferred.

Pursuant to these agreements, Bell Canada and Aliant continue to service the accounts receivable and their interest in collections of these accounts receivable in subordinated to the purchaser's interest. Bell Canada and Aliant remain exposed to certain risks of default on the amount of receivables under securitization and have provided various credit enhancements in the form of overcollateralization and subordination of its retained interests. The purchasers will re-invest the funds from collections in the purchase of additional interests in Bell Canada and Aliant accounts receivable until the expiration of the agreements on December 12, 2006 and December 13, 2006, respectively. The purchasers and its investors have no recourse to Bell Canada's and Aliant's other assets for failure of the debtors to pay when due.

In 2001, Bell Canada and Aliant recognized pre-tax losses of $4 million and $388,000, respectively on these securitization transactions. The key assumptions underlying these transactions are:

	Bell Canada	Aliant
Cost of funds	2.5%	2.3%
Weighted average life in days	39	48
Average credit loss ratio	0.8%	0.9%
Servicing fee liability	2.0%	2.0%

The sensitivity of the current fair value of the retained interests or residual cash flows to an immediate 10 percent and 20 percent adverse change in each of the above assumptions in each case is less than $500,000.

GUARANTEES

At December 31, 2001, BCE had outstanding guarantees of $333 million representing financial, bid, performance and advance payment guarantees issued in the normal course of business.

14. NON-CONTROLLING INTEREST

At December 31	2001	2000
Non-controlling interest in subsidiaries:		
Bell Canada	**852**	617
Aliant	**742**	712
Bell Globemedia	**1,225**	91
Teleglobe Inc.	**188**	208
BCE Emergis	**280**	366
BCI	**71**	99
Other	**30**	–
	3,388	2,093
Preferred shares, equity-settled notes and convertible debentures issued by subsidiaries:		
Bell Canada	**1,474**	1,065
Aliant	**172**	–
Teleglobe Inc.	**–**	130
BCI	**611**	426
Other	**50**	50
	2,307	1,671
Total non-controlling interest	**5,695**	3,764

15. PREFERRED SHARES

AUTHORIZED

The articles of incorporation of the Corporation provide for an unlimited number of First Preferred Shares and Second Preferred Shares. The articles authorize the Directors to issue such shares in one or more series and to fix the number of shares of each series, and the conditions attaching to them.

AUTHORIZED AND OUTSTANDING

The following table provides a summary of the principal terms and conditions relating to the Corporation's authorized and outstanding series of First Preferred Shares. The detailed terms and conditions of such shares are set forth in the Corporation's articles of incorporation. All series outstanding at December 31, 2001, were non-voting except under certain circumstances when the holders were entitled to one vote per share. All series outstanding at December 31, 2001, other than Series P shares (Note 11), were convertible at the holder's option into another series of First Preferred Shares. At December 31, 2001, no Second Preferred Shares were outstanding.

Series	Annual dividend rate	Convertible into	Conversion date	Redemption date	Redemption price	Authorized Number of shares	Stated Capital At December 31 2001	Stated Capital At December 31 2000
Q (a)(b)		Series R	December 1, 2010	December 1, 2005	$25.50	8,000,000	**–**	–
R (a)(c)	1.5435	Series Q	December 1, 2005	December 1, 2005	$25.00	8,000,000	**200**	200
S (c)(d)	floating	Series T	November 1, 2006	At any time	$25.50	8,000,000	**200**	200
T (b)		Series S	November 1, 2011	November 1, 2011	$25.00	8,000,000	**–**	–
U (c)(e)(f)	1.3850	Series V	March 1, 2007	March 1, 2007	$25.00	22,000,000	**350**	350
V (b)		Series U	March 1, 2012	March 1, 2012	$25.00	22,000,000	**–**	–
W (c)(e)(f)	1.3625	Series X	September 1, 2007	September 1, 2007	$25.00	20,000,000	**300**	300
X (b)		Series W	September 1, 2012	September 1, 2012	$25.00	20,000,000	**–**	–
Y (c)(e)(g)	1.1500	Series Z	December 1, 2002	December 1, 2002	$25.00	10,000,000	**250**	250
Z (b)		Series Y	December 1, 2007	December 1, 2007	$25.00	10,000,000	**–**	–
							1,300	1,300

(a) On December 1, 2000, the 8 million Series Q shares were converted into 8 million Series R shares. Holders of the Series R shares are entitled to fixed cumulative quarterly dividends. The Corporation may redeem the Series R shares on December 1, 2005 and on December 1 every fifth year thereafter for $25 per share.

(b) Authorized but not issued.

(c) Authorized and outstanding, except that only 14 million Series U shares and 12 million Series W shares are outstanding.

(d) On November 1, 2001, the Series S shares were not converted into Series T shares. Accordingly, since that date, holders of the Series S shares are entitled to floating adjustable cumulative monthly dividends instead of fixed cumulative quarterly dividends. At any time, the Corporation may now redeem the Series S shares for $25.50 per share.

(e) Holders of Series U, W and Y shares will be entitled to floating adjustable cumulative monthly dividends starting on March 1, 2007, September 1, 2007 and December 1, 2002, respectively.

(f) The Corporation has entered into interest rate swap agreements until 2007 to effectively convert the Series U and W fixed dividends to floating rate dividends equal to the 90-day Bankers' Acceptance Rate less 0.675% and 0.594%, respectively. The Corporation may redeem the Series U and Series W shares on and after March 1, 2007 and September 1, 2007, respectively. However, if these series are listed on The Toronto Stock Exchange, the redemption price after these dates shall be $25.50 per share.

(g) The Corporation may redeem the Series Y shares at any time after December 1, 2002 for $25.50 per share.

16. COMMON SHARES AND CLASS B SHARES

AUTHORIZED

The articles of incorporation of the Corporation provide for an unlimited number of common shares and Class B Shares. The common shares and the Class B Shares rank equally with respect to the payment of dividends and upon liquidation, dissolution or winding-up of the Corporation. The Class B Shares are non-voting.

AUTHORIZED AND ISSUED

The following table provides information concerning the outstanding common shares of the Corporation.

For the year ended December 31	2001 Number of shares	2001 Stated capital	2000 Number of shares	2000 Stated capital
Outstanding, beginning of year	**809,861,531**	**13,833**	643,804,984	6,789
Shares issued				
Exchange for Teleglobe Inc.				
common shares (Note 3)	**–**	**–**	173,889,782	7,164
Exercise of stock options (Note 17)	**3,178,980**	**71**	1,316,467	36
Shares purchased for cancellation (a)	**(4,526,300)**	**(77)**	(9,149,702)	(156)
Outstanding, end of year	**808,514,211**	**13,827**	809,861,531	13,833

As at December 31, 2001 and 2000, no Class B Shares were outstanding.

(a) In 2001, the Corporation purchased and cancelled 4.5 million of its common shares for an aggregate price of $191 million (9.1 million for $384 million in 2000).

17. STOCK-BASED COMPENSATION PLANS

EMPLOYEES' SAVINGS PLANS (ESP)

The ESPs enable employees of the Corporation and its participating subsidiaries to acquire BCE Inc. common shares through regular payroll deductions plus employer contributions, if applicable. Under the terms of the ESPs, employees can choose each year to have up to a certain percentage of their annual earnings as determined by each participating company (10% in the case of Bell Canada) withheld to purchase the Corporation's common shares. The employer contributes up to a certain maximum percentage of the employee's annual earnings that, in the case of Bell Canada, is 2%. The purpose of the ESP is to encourage employees to own shares of the Corporation. Participation at December 31, 2001, was 38,278 employees (36,563 employees in 2000). Common shares of the Corporation are purchased by the ESP trustee on behalf of the participants on the open market, by private purchase or from BCE Inc., as determined from time to time by BCE Inc. The total number of common shares purchased on behalf of employees was 4,953,410 during 2001 (3,518,159 in 2000). Compensation expense related to ESP amounted to $42 million ($37 million in 2000). At December 31, 2001, 8,542,289 common shares were reserved for issuance under the ESP.

BCE INC. STOCK OPTIONS

Under the Long-Term Incentive Stock Option Programs (Programs) of the Corporation, options may be granted to directors, officers and other key employees of the Corporation and of its subsidiaries to purchase common shares of the Corporation generally at a subscription price of 100% of market value on the last trading day prior to the effective date of the grant. At December 31, 2001, a total of 37,043,697 common shares remained authorized for issuance under the Programs. The options are exercisable during a period not to exceed ten years and are generally not exercisable during the first 12 months after the date of the grant. The right to exercise all the options generally accrues over a period of four years of continuous employment or directorship except when a special vesting period is granted. However, if there is a change of control of the Corporation, the options may, if an optionee's employment or directorship is terminated under certain circumstances, become immediately exercisable. Furthermore, with respect to optionees employed by certain subsidiaries of the Corporation, the same result may also occur if the Corporation ceases, under certain circumstances, to hold a specific percentage ownership interest (as set forth in the Programs) in these subsidiaries.

As a result of the distribution of Nortel Networks common shares in May 2000 (Note 7), each of the then outstanding BCE Inc. stock options was cancelled and replaced by a new stock option giving the right to acquire one BCE Inc. common share and, in addition, by a new stock option giving the right to acquire approximately 1.57 post-split common shares of Nortel Networks (Nortel options) with exercise prices established so as to maintain the economic position of the holder. In order to ensure that the exercise of the Nortel options would not result in a dilution to Nortel Networks shareholders, the aggregate number of BCE Inc. common shares issuable pursuant to options granted under the Programs immediately prior to the effective time of the distribution was factored into the computation of the number of Nortel Networks common shares per BCE Inc. common share held to be distributed. Accordingly, the exercise price paid to Nortel Networks on the exercise of the Nortel options is remitted to BCE Inc. shortly after the time of exercise, with the amount being credited to Retained earnings. In addition, BCE Inc. also has the right to exercise all Nortel options that expire unexercised or are forfeited and hold the shares as an investment at cost.

The following table summarizes the status of the BCE Inc.'s Stock Option Programs:

For the year ended December 31	2001 Number of shares	2001 Weighted average exercise price	2000 Number of shares	2000 Weighted average exercise price
Outstanding, beginning of year	**9,114,695**	**$27**	5,767,012	$56
Granted	**11,629,250**	**$41**	4,812,218	$39
Exercised	**(335,669)**	**$11**	(986,244)	$33
Expired	**(1,880,900)**	**$37**	(478,291)	$42
Outstanding, end of year	**18,527,376**	**$35**	9,114,695	$27
Exercisable, end of year	**2,300,387**	**$25**	1,057,731	$11

The weighted average exercise price has been adjusted to reflect the distribution of the Nortel Networks common shares in May 2000.

17. STOCK-BASED COMPENSATION PLANS (continued)

The following table summarizes information about the BCE Inc.'s Stock Option Programs at December 31, 2001:

	Options outstanding			Options exercisable	
Range of exercise price	Number	Weighted average remaining life	Weighted average exercise price	Number	Weighted average exercise price
Below $20	3,830,771	7 years	$15	1,271,602	$12
$20 – $30	–	–	–	–	–
$30 – $40	2,776,717	9 years	$36	218,990	$35
Over $40	11,919,888	9 years	$41	809,795	$41
	18,527,376		$35	2,300,387	$25

SPECIAL COMPENSATION PAYMENTS (SCPs)

Prior to 2000, simultaneously with the grant of an option, officers and key employees of the Corporation and its subsidiaries may have been granted by their employer, from time to time, accompanying rights to SCPs. As a result of the distribution of Nortel Networks common shares (Note 7), the then outstanding options were divided into options to acquire BCE Inc. common shares and Nortel Networks common shares, and the related SCPs were appropriately adjusted. As a result, SCP right holders now have, for each SCP right held prior to the distribution, SCP rights related to the increase in price of both the BCE Inc. and Nortel Networks common shares over the exercise prices of the related options. The amount of any SCPs is equal to the increase in market value of the number of the BCE Inc. and Nortel Networks shares covered by the SCPs (which may not exceed the number of shares covered by the option to which it is related) from the date of grant of the SCPs to the date of exercise of the option to which the SCPs is related. To manage SCP expense, BCE has entered into forward contracts to hedge its exposure to outstanding SCP rights related to options over BCE Inc. common shares and has designated approximately six million Nortel Networks common shares as a hedge of BCE's exposure to outstanding SCP rights related to the options over the Nortel Networks common shares. At December 31, 2001, 3,479,102 SCPs (4,080,111 at December 31, 2000) relating to BCE Inc. common shares and 3,301,891 SCPs (3,698,215 at December 31, 2000) relating to Nortel Networks common shares covering the same number of shares as the options to which they are related were outstanding. The payment of SCPs remains the responsibility of the employer. In 2001, compensation expense related to SCPs amounted to $64 million ($82 million in 2000).

TELEGLOBE INC. STOCK OPTIONS

As a result of the acquisition of Teleglobe Inc. on November 1, 2000 (Note 3), Teleglobe Inc. stock options continue to be exercisable in accordance with their original terms and conditions, with the exception that stock options holders will receive, upon exercise of their options, 0.91 of a BCE Inc. common share for each Teleglobe Inc. stock option held. The outstanding Teleglobe Inc. stock options have a vesting period of three to four years, and will expire seven to ten years from the date of grant.

The following table summarizes the status of Teleglobe Inc.'s Stock Option Programs at, and changes from November 1, 2000 to December 31, 2000 and from January 1, 2001 to December 31, 2001:

For the period ended December 31	2001		2000	
	Number of BCE Inc. shares	Weighted average exercise price	Number of BCE Inc. shares	Weighted average exercise price
Outstanding, January 1, 2001 and November 1, 2000	18,934,537	$36	20,106,612	$37
Exercised	(2,911,216)	$24	(330,223)	$13
Expired	(5,818,355)	$44	(841,852)	$38
Outstanding, December 31	10,204,966	$39	18,934,537	$36
Exercisable, December 31	6,073,732	$38	8,035,329	$33

The following table summarizes information about Teleglobe Inc.'s Stock Option Programs at December 31, 2001:

	Options outstanding			Options exercisable	
Range of exercise price	Number	Weighted average remaining life	Weighted average exercise price	Number	Weighted average exercise price
Below $20	584,943	4 years	$12	584,943	$12
$20 – $30	427,252	4 years	$25	423,597	$25
$30 – $40	4,804,898	8 years	$38	1,868,059	$38
Over $40	4,387,873	5 years	$45	3,197,133	$45
	10,204,966		$39	6,073,732	$38

18. EMPLOYEE BENEFIT PLANS

BCE and certain of its significant subsidiaries maintain defined benefit plans that provide for pension, other retirement and post-employment benefits for substantially all their employees based on length of service and rate of pay. BCE's funding policy is to make contributions to its pension funds based on various actuarial cost methods as permitted by pension regulatory bodies. The companies are responsible to adequately fund the plans. Contributions reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits. Plan assets are represented primarily by Canadian and foreign equities, government and corporate bonds, debentures and secured mortgages.

18. EMPLOYEE BENEFIT PLANS (continued)

The changes in the benefit obligations and in the fair value of assets and the funded status of the defined benefit plans were as follows:

	Pension benefits		Other benefits	
	2001	2000	2001	2000
Projected benefit obligation,				
beginning of year	**10,497**	8,956	**1,637**	1,437
Current service cost	**212**	191	**31**	30
Interest cost	**732**	696	**116**	112
Actuarial gains (losses)	**799**	–	**(100)**	–
Estimated benefits payments	**(794)**	(691)	**(74)**	(60)
Employee contributions	**6**	3	**–**	–
Business combinations	**–**	1,366	**–**	122
Special termination costs	**266**	–	**–**	–
Divestitures and other	**19**	(24)	**(3)**	(4)
Projected benefit obligation, end of year	**11,737**	10,497	**1,607**	1,637
Fair value of plan assets,				
beginning of year	**14,254**	12,000	**361**	333
Return on plan assets	**1,012**	1,082	**28**	29
Actuarial gains (losses)	**(597)**	264	**(3)**	–
Estimated benefits payments	**(794)**	(691)	**(74)**	(60)
Employer contribution	**17**	6	**73**	59
Employee contribution	**6**	3	**–**	–
Business combinations	**65**	1,614	**–**	4
Divestitures	**(41)**	(24)	**–**	(4)
Fair value of plan assets, end of year	**13,922**	14,254	**385**	361
Funded status	**2,185**	3,757	**(1,222)**	(1,276)
Unamortized net actuarial gain	**(18)**	(1,488)	**(286)**	(198)
Unamortized past service costs	**52**	15	**1**	–
Unamortized transitional (asset)				
obligation	**(259)**	(402)	**440**	487
Valuation allowance	**(122)**	(56)	**–**	–
Accrued benefit asset (liability),				
end of year (Note 11)	**1,838**	1,826	**(1,067)**	(987)

At December 31, 2001, approximately 1% of the plan assets are held in BCE Inc. common shares.

The significant weighted-average assumptions adopted in measuring BCE's pension and other benefit obligations were:

At December 31	Pension benefits		Other benefits	
	2001	2000	2001	2000
Discount rate	**6.5%**	7.0%	**6.5%**	7.0%
Expected long-term return on plan assets	**8.8%**	8.5%	**8.8%**	8.5%
Rate of compensation increase	**3.5%**	3.9%	**3.5%**	3.9%

For measurement purposes, a 4.5% annual rate of increase in the per capita cost of covered health care benefits (the health care cost trend rate) was assumed for 2001 except for the cost of medication that was assumed to increase at a 10.5% annual rate for 2001 and gradually decline to 4.5% by 2005 and remain at that level thereafter.

The net benefit plans expense (credit) included the following components:

For the year ended December 31	Pension benefits		Other benefits	
	2001	2000	2001	2000
Current service cost	**212**	191	**31**	30
Interest cost	**732**	696	**116**	109
Expected return on plan assets	**(1,198)**	(1,104)	**(28)**	(28)
Amortization of past service costs	**12**	3	**–**	–
Amortization of net actuarial gain	**(4)**	(7)	**(6)**	(5)
Amortization of transitional (asset)				
obligation	**(60)**	(64)	**40**	40
Increase in valuation allowance	**102**	30	**–**	–
Other	**(71)**	–	**1**	–
Net benefit plans (credit) expense	**(275)**	(255)	**154**	146

19. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At December 31, 2001, the future minimum lease payments under capital leases were $301 million. At December 31, 2001, the future minimum lease payments under operating leases with initial non-cancellable lease terms in excess of one year were $414 million in 2002, $362 million in 2003, $340 million in 2004, $381 million in 2005, $276 million in 2006 and $1,835 million thereafter. Rental expense applicable to operating leases in 2001 amounted to $700 million ($410 million in 2000).

AGREEMENT BETWEEN BCE AND SBC

In connection with the sale of a 20% interest in Bell Canada to SBC in 1999, BCE and SBC entered into a unanimous shareholders' agreement, which includes, among other conditions, the option by SBC to sell all of its shares in BCH (the holding company of Bell Canada) to BCE, at any time from July 1, 2002 until December 31, 2002, and at any time from July 1, 2004 until December 31, 2004, at the fair market value of the shares multiplied by 1.25. BCE also has the option, during the same periods of time, to purchase all of SBC's shares at the fair market value of the shares multiplied by 1.25. BCE has the right to issue as consideration, in full or in part, two-year interest-bearing notes.

19. COMMITMENTS AND CONTINGENCIES (continued)

AGREEMENT BETWEEN BCE AND CGI

BCE entered into an agreement on July 1, 1998 with CGI's three largest individual shareholders (the Shareholders) providing for certain put and call options, as well as rights of first refusal, on the shares of CGI held by the Shareholders. The agreement gives the Shareholders the right to gradually sell (put options) their shares to BCE through January 5, 2004 and, thereafter for a period of two years, the right to BCE to buy (call options) these shares to the extent not already acquired by BCE. The price per share payable on any exercise of the put or call options will be, in all cases, 115% of the market price for CGI shares on the exercise date payable in common shares of BCE. These options, if fully exercised, will increase BCE's equity ownership and voting interest in CGI to approximately 41%.

SHARED SERVICES AGREEMENT

Effective June 22, 2001, Bell Canada entered into a ten-year service contract with a special purpose entity. This service contract will allow Bell Canada to, over time, reduce systems and administrative costs through the rationalization and enhancements of certain systems and the optimization of certain processes. Bell Canada's commitments are approximately $150 million over the first three years of the agreement. In 2004, Bell Canada may either exercise an option to buy the special purpose entity, or maintain the service contract and therefore commit itself to an additional minimum of $420 million in service fees to the third party.

LITIGATION

In the normal course of operations, BCE becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2001 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on BCE's consolidated financial position or results of operations.

20. RECONCILIATION OF EARNINGS REPORTED IN ACCORDANCE WITH CANADIAN GAAP TO UNITED STATES GAAP

The consolidated financial statements of BCE have been prepared in accordance with Canadian GAAP. The tables below present a reconciliation of the net earnings and retained earnings reported in accordance with Canadian GAAP to United States GAAP.

For the year ended December 31	2001	2000
Net earnings (loss) applicable to common shares:		
Canadian GAAP – Continuing operations	**2,355**	233
Adjustments		
Additional pick-up of non-controlling interest (a)	**(67)**	14
Pre-operating expenses and subscriber acquisition costs (b)	**(103)**	(100)
Foreign exchange (c)	**(40)**	(76)
Employee future benefits (d)	**53**	39
Income taxes (e)	**(45)**	45
Gain on disposal of investments and on reduction of ownership in subsidiary companies (f)	**75**	(31)
Discontinued operations (g)	**219**	607
Other	**51**	(63)
United States GAAP – Continuing operations	**2,498**	668
Discontinued operations – U.S. GAAP (g)	**(2,032)**	(1,024)
United States GAAP	**466**	(356)
Other comprehensive earnings (loss) items		
Change in currency translation adjustment	**248**	107
Change in unrealized gain on investments (h)	**(168)**	2,788
United States GAAP – Comprehensive earnings	**546**	2,539
Per common share – United States GAAP		
Continuing operations – Basic	**3.09**	1.00
Continuing operations – Fully diluted	**3.06**	0.97
Net earnings (loss) – Basic	**0.58**	(0.53)
Net earnings (loss) – Fully diluted	**0.57**	(0.55)

For the year ended December 31	2001	2000
Retained earnings:		
Canadian GAAP	**903**	1,521
Adjustments		
Additional pick-up of non-controlling interest (a)	**(133)**	(66)
Pre-operating expenses and subscriber acquisition costs (b)	**(324)**	(221)
Foreign exchange (c)	**(298)**	(258)
Employee future benefits (d)	**92**	39
Gain on disposal of investments and on reduction of ownership in subsidiary companies (f)	**(201)**	(276)
Discontinued operations (g)	**83**	–
Other	**112**	106
United States GAAP	**234**	845

20. RECONCILIATION OF EARNINGS REPORTED IN ACCORDANCE WITH CANADIAN GAAP TO UNITED STATES GAAP (continued)

(a) Additional pick-up of non-controlling interest

Under Canadian and United States GAAP, the controlling shareholder is required to account for 100% of a subsidiary's losses when the non-controlling interest, related to that subsidiary, has been eliminated on the balance sheet. Any subsequent earnings from the subsidiary will be allocated entirely to the controlling shareholder until previously absorbed losses are recovered. However, Canadian and United States GAAP differences cause the point at which non-controlling interest has been eliminated to be different.

(b) Pre-operating expenses and subscriber acquisition costs

Under Canadian GAAP, pre-operating expenses, if they meet certain criteria, and subscriber acquisition costs can be deferred and amortized. Under United States GAAP, these costs are expensed as incurred.

(c) Foreign exchange

Under Canadian GAAP, unrealized foreign exchange translation gains and losses on long-term monetary assets and liabilities are deferred and amortized over the remaining lives of the related items. Under United States GAAP, the translation gains and losses are reported in earnings immediately.

(d) Employee future benefits

The accounting for employee future benefits is, in all material respects, consistent under Canadian and United States GAAP, except for the recognition of certain unrealized gains.

(e) Income taxes

The accounting for income taxes is, in all material respects, consistent under Canadian and United States GAAP except that under Canadian GAAP, income tax rates of enacted or substantially enacted tax law can be used to calculate deferred income tax assets and liabilities while under United States GAAP, only income tax rates of enacted tax law can be used. In 2001, income tax rates were enacted, and as a result, all previous Canadian and United States GAAP differences were reversed.

(f) Gain on disposal of investments and on reduction of ownership in subsidiary companies

Under Canadian and United States GAAP, gains on disposal of investments and on reduction of ownership in subsidiary companies are calculated in a similar manner. However, Canadian and United States GAAP differences will cause the underlying carrying value of the investment to be different, and therefore, the resulting gain to be different.

(g) Discontinued operations

Under United States GAAP, the disposal of Bell Canada International Inc.'s Latin American CLECs and Asia Mobile segments are not considered discontinued operations, and the gain on reduction of BCE's ownership in Nortel Networks in 2000 was credited directly to retained earnings as a result of BCE's spin-off the majority of its investment in Nortel Networks. Under Canadian GAAP, impairment charges on capital assets and goodwill are calculated based on their estimated net recoverable amount determined using undiscounted cash flows, whereas under United States GAAP, long-lived assets are written down to fair value using discounted cash flows. In addition, other differences between Canadian and United States GAAP will cause the historical carrying values of the impaired assets to be different.

(h) Change in unrealized gain on investments

Under United States GAAP, BCE's portfolio investments would be classified as "available-for-sale" and carried at fair value with any unrealized gains or losses included in other comprehensive earnings, net of tax.

(i) Recent pronouncements

The Financial Accounting Standards Board (FASB) recently issued new Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. Effective July 1, 2001, the standards require that all business combinations be accounted for using the purchase method. Additionally, effective January 1, 2002, goodwill and intangible assets with an indefinite life will no longer be amortized to earnings and will be assessed for impairment on an annual basis in accordance with the new standards, including a transitional impairment test. BCE's management is currently evaluating the impact of the adoption of the new standards, and although it is likely, particularly for BCE Teleglobe, that the transitional impairment test will result in a significant impairment charge, BCE's management has not yet assessed the impact on its financial statements.

The FASB recently issued new Standard No. 144, Accounting for the Impairment or Disposal of Long-lived Assets, which is effective for fiscal years beginning after December 15, 2001 and addresses how to account for and report impairments or disposals of long-lived assets. An impairment loss is to be recorded on long-lived assets being held or used when the carrying amount of the asset is not recoverable from its undiscounted cash flows. The impairment loss is equal to the difference between the asset's carrying amount and estimated fair value. Long-lived assets to be disposed of by other than a sale for cash are to be accounted for and reported like assets being held or used except the impairment loss is recognized at the time of the disposition. Long-lived assets to be disposed of by sale are to be recorded at the lower of their carrying amount or estimated fair value (less costs to sell) at the time the plan of disposition has been approved and committed to by the appropriate company management. In addition, depreciation is to cease at the same time. BCE's management does not expect the adoption of this standard to have a significant impact on its future consolidated financial results.

21. SUBSEQUENT EVENTS

On February 14, 2002, BCE Inc. filed a short form prospectus with Canadian securities regulatory authorities qualifying the issue of 20 million Cumulative Redeemable First Preferred Shares, Series AA (Series AA Preferred Shares) for aggregate proceeds of $510 million. 8 million of the 20 million Series AA Preferred Shares are proposed to be issued pursuant to a public bought deal offering whereas the balance of 12 million Series AA Preferred Shares would be issued to the holders of BCE Inc.'s 12 million First Preferred Shares, Series W (Series W Preferred Shares) if BCE Inc. elects to exercise its option to purchase all of the Series W Preferred Shares from such holders. Holders of the Series W Preferred Shares would then pay the subscription price of $306 million for the purchase of 12 million Series AA Preferred Shares from the proceeds paid to them by BCE Inc. to purchase for cancellation the Series W Preferred Shares. The net proceeds to result from the sale of the 8 million Series AA Preferred Shares will be used for general corporate purposes. The closing for these transactions is scheduled for March 1, 2002.

On December 3, 2001, BCI announced a recapitalization plan intended to enable the company to meet its short term funding commitments, as well as a complementary plan that resulted in the reorganization of Telecom Américas into a company focused on the Brazilian mobile wireless market. On January 11, 2002, BCI closed its rights offering for total gross proceeds of $440 million, in connection with its recapitalization plan. The public shareholders exercised 42% of the rights offered to them, with BCE funding the remaining balance of $392 million. Also included in the recapitalization plan was the settlement of approximately $478 million in obligations through the issuance of common shares (excluding the settlement of a put option obligation, as described in Note 3). BCE's percentage ownership in BCI after the settlement date of February 15, 2002 was diluted to approximately 62%, subject to further change upon settlement of the put obligation.

SELECTED FINANCIAL DATA – BCE INC.

The following table sets forth selected consolidated financial data relating to the Corporation for each of the years between 1996 and 2001, inclusive.

For the year ended December 31	2001	2000	1999	1998	1997	1996
Statements of operations data ($ millions)						
Operating revenues	**21,711**	17,432	13,922	12,919	12,768	10,568
Earnings from continuing operations	**2,419**	312	5,107	1,433	803	809
Discontinued operations/Extraordinary item	**(1,896)**	4,549	352	3,165	(2,339)	343
Net earnings (loss)	**523**	4,861	5,459	4,598	(1,536)	1,152
Net earnings (loss) applicable to common shares	**459**	4,782	5,366	4,505	(1,610)	1,076
Balance sheets data ($ millions)						
Total assets	**54,335**	51,383	36,960	32,170	40,298	41,261
Long-term debt (including current portion)	**16,537**	14,615	9,862	10,349	12,784	12,586
Preferred shares	**1,300**	1,300	1,700	1,700	1,700	1,450
Common shareholders' equity	**15,690**	16,161	16,192	11,945	8,109	10,522
Capital expenditures	**7,396**	4,118	3,588	3,774	3,413	3,128
Common share data (a)						
Earnings (loss) per common share						
Continuing operations	**2.92**	0.35	7.80	2.10	1.14	1.15
Net earnings (loss)	**0.57**	7.43	8.35	7.07	(2.53)	1.70
Dividends declared per common share	**1.20**	1.24	1.36	1.36	1.36	1.36
Other data						
Number of employees (thousands) (b)	**75**	75	55	53	122	121

(a) Adjusted to reflect the BCE two-for-one stock split effective May 14, 1997.
(b) Unaudited.

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED) – BCE INC.

The following table includes summarized financial data for each quarter of 2001 and 2000. This quarterly information has been prepared on the same basis as the annual consolidated financial statements.

	4th Quarter		3rd Quarter		2nd Quarter		1st Quarter	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
Operating revenues	**5,748**	4,870	**5,379**	4,386	**5,390**	4,199	**5,194**	3,977
Earnings (loss) from continuing operations	**(312)**	22	**(66)**	10	**(7)**	105	**2,804**	175
Discontinued operations	**–**	(35)	**(64)**	649	**(8)**	(62)	**(1,824)**	3,997
Net earnings (loss)	**(312)**	(13)	**(130)**	659	**(15)**	43	**980**	4,172
Net earnings (loss) applicable to common shares	**(326)**	(31)	**(146)**	640	**(31)**	24	**962**	4,149
Net earnings (loss) per common share								
Continuing operations – basic	**(0.40)**	0.01	**(0.10)**	(0.01)	**(0.03)**	0.13	**3.45**	0.24
Continuing operations – diluted	**(0.40)**	–	**(0.10)**	(0.02)	**(0.03)**	0.13	**3.42**	0.23
Net earnings (loss) – basic	**(0.40)**	(0.04)	**(0.18)**	0.99	**(0.04)**	0.04	**1.19**	6.44
Net earnings (loss) – diluted	**(0.40)**	(0.05)	**(0.18)**	0.98	**(0.04)**	0.04	**1.18**	6.06
Average number of common shares outstanding (millions)	**808.5**	746.1	**807.9**	644.7	**807.4**	644.5	**808.1**	644.0

EXHIBIT E

BCE Nexxia Corp

Affiliated Telecommunications Service Providers in the USA[1]

Company	Jurisdiction of Incorporation	Area of Operation
Infosat Communications, Inc. (USA)	Delaware	United States
MarineSat Communications Network, Inc.	Delaware	United States
Satellite Distribution Services Inc.	Delaware	United States
Stratos Mobile Networks, Inc.	Delaware	United States
Stratos Offshore Service Company	Delaware	United States
Stratos Telecom, Inc.	Delaware	United States
Stratos VSAT Inc.	Colorado	United States

[1] All of these companies are authorized to provide interstate or international communications by the Federal Communications Commission. None of these companies have authority to provide intrastate telecommunications services in any state, and do not offer intrastate common carrier services in any state.

EXHIBIT F

REVENUE/EXPENSES/ASSETS INFORMATION

1. Projected total revenue to be generated by the provision of telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval: **$100,000**.

2. Operating expenses expected to be incurred during the first twelve months of providing telecommunications services to Arizona following certification: **$85.000**.

3. N/A. Applicant does not have assets in Arizona.

4. N/A. Applicant does not have assets in Arizona.

5. N/A. Applicant does not have assets in Arizona.

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EXHIBIT
A-2
Admitted

September 25, 2003

STAMP AND RETURN

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007-2927

Re: BCE Nexxia Corporation; Response to Data Request; Docket No. T-042000A-03-0550

Dear Sir or Madam:

BCE Nexxia Corporation ("BCE"), by its undersigned counsel, hereby supplements its application to provide services in Arizona with its responses to the Data Request as mailed to us on August 7, 2003. Per your request, we have filed an original plus thirteen (13) copies of this response.

For ease of reference, this supplement is organized in the same manner as your data request. FTCS' response follows each point as stated in the Request.

(1) Please include affidavits of publication for the counties which BCE is requesting authority to provide service in.

Response: See Tab No. 1 attached.

(2) BCE will need to indicate the total number of employees and their total years of combined experience.

Response: None. BCE's operations are currently supported through its parent company's employees.

(3) Indicate if the Applicant or any of its officers, directors, or partners have been or are currently involved in any formal or informal complaint proceedings before any state or federal regulatory commission,

administrative agency, or law enforcement agency. Describe in detail any such involvement.

Response: The Applicant nor any of its officers, directors, or partners have been nor are currently involved in any formal of informal complaint proceedings before any state or federal regulatory commission, administrative agency, or law enforcement agency.

(4) Indicate if the Applicant or any of its officers, directors, partners have been or are currently involved in any civil or criminal investigation. Describe in detail any such involvement.

Response: The Applicant nor any of its officers, directors, partners have been nor are currently involved in any civil or criminal investigation.

(5) Indicate if the Applicant or any of its officers, directors, or partners had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, or been convicted of any criminal acts within the last ten (10) years. Describe in detail any such judgments or convictions.

Response: The Applicant nor any of its officers, directors, or partners have had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, nor have been convicted of any criminal acts within the last ten (10) years.

(6) Please submit a copy of BCE's Certificate of Good Standing as a foreign corporation in Arizona.

Response: See Tab No. 2 attached.

(7) Please indicate BCE's total assets, equity and net/income loss for the calendar year ending 2002.

Response: See Tab No. 3 attached.

The information provided to the Arizona Corporation Commission in response to the above data request is accurate and complete, and contains no material misrepresentations or omissions based upon the facts known to the Applicant. The Applicant agrees to immediately inform the Commission during the remainder of the current matter before the Commission, if any matters are discovered that would materially affect the accuracy or completeness of the information contained in the application, any information subsequently provided to the Staff, or information provided in response to a data request.

Kindly direct any questions regarding this filing to the undersigned.

Best regards,

Matthew Vitale

William K. Coulter
Matthew Vitale
Counsel for BCE Nexxia
Corporation

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BUDAPEST, MEXICO CITY, PRAGUE, SHANGHAI

March 4, 2004

EXHIBIT
A-3

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007-2927

Re: BCE Nexxia Corporation; Supplement to its Application
Docket No. T-042000A-03-0550

Dear Sir or Madam:

BCE Nexxia Corporation ("BCE"), by its undersigned counsel, hereby files an original plus thirteen (13) copies of its Supplement, as set forth below, to its Application to provide services in Arizona. This Supplement is to insure completeness and accuracy of the information contained in the Application and to keep the Commission fully informed.

1. Mr. Matthew Vitale, previously listed as BCE secondary co-counsel in the Application and in subsequent correspondence, should be removed as co-counsel. Coudert Brothers and Mr. William K. Coulter will continue as primary counsel.

2. In its Application, at Exhibit A, Martine Turcotte was listed as Secretary of BCE. Subsequently, the Board appointed Linda Caty to this position. Thus, BCE would like to revise Exhibit A as follows:

Linda Caty, Secretary
BCE Nexxia Corporation
1000 de La Gauchetiere Ouest
37th Floor
Montreal, Quebec
H3B 4Y7 Canada
Tel: 514-870-8144
Fax: 514-786-3801

This change also will be reflected in BCE's Tariff (Exhibit B to the Application) prior to its effective date, or at such time as requested by the Commission.

Please file stamp and return the extra copy of this filing in the pre-addressed, stamped envelope provided for this purpose.

Should there be any questions, please contact the undersigned.

Sincerely,

William K. Coulter

William K. Coulter
Counsel for BCE Nexxia Corporation

WKC:clz
Enclosures
Cc: Michael Patten, Esq.