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June 20, 2003

COMMISSION CLERK
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Commission Clerk's Office
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: BCE Nexxia Corporation;
Application for Authority to Provide Interexchange
Telecommunications Service Between Points Within the State of Florida

Dear Sir/Madam:

On behalf of BCE Nexxia Corporation ("BCE"), please find enclosed for filing an original plus 6 copies of BCE's Application for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida. Also enclosed is a check, in the amount of $250, payable to the "Florida Public Service Commission" to cover the requisite filing fee.

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 regarding this filing to the undersigned.

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Regards,

William K. Coulter

William K. Coulter
Matthew Vitale
Counsel for BCE Nexxia Corporation

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Enclosures

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward deposit information to Records.

Initials of person who forwarded check: gm

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** FLORIDA PUBLIC SERVICE COMMISSION **

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

Application Form for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida

---

Instructions

- This form is used as an application for an original certificate and for approval of assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 16).

- Print or Type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **$250.00** to:

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

  Note: **No filing fee is required** for an assignment or transfer of an existing certificate to another company.

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Regulatory Oversight
  Certification Section
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6480

1. This is an application for √ (check one):

(x) **Original certificate** (new company).

( ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

( ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

( ) **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

BCE Nexxia Corporation

3. Name under which applicant will do business (fictitious name, etc.):

N/A

4. Official mailing address (including street name & number, post office box, city, state, zip code):

1000 de la Gauchetiere Ouest, Floor 41

Montreal, Quebec, Canada

H3B5H8

5. Florida address (including street name & number, post office box, city, state, zip code):

N/A

6. Select type of business your company will be conducting √ (check all that apply):

(x) **Facilities-based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

( ) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

(x) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

( ) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers, then offers resold service by enrolling unaffiliated customers.

( ) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. Structure of organization;

( ) Individual ( ) Corporation
(x) Foreign Corporation ( ) Foreign Partnership
( ) General Partnership ( ) Limited Partnership
( ) Other ______________________________

8. **<u>If individual,</u>** provide:

Name:____
Title:____
Address:____
City/State/Zip:______________________________________

Telephone No.:____________________ **Fax No.:**______________
Internet E-Mail Address:_______________________________
Internet Website Address:______________________________

9. **<u>If incorporated in Florida,</u>** provide proof of authority to operate in Florida:

   (a) **The Florida Secretary of State Corporate Registration number:**
   ____

10. **<u>If foreign corporation,</u>** provide proof of authority to operate in Florida:

   (a) **The Florida Secretary of State Corporate Registration number:**
   <u>F99000006167</u>

11. **<u>If using fictitious name-d/b/a,</u>** provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

   (a) **The Florida Secretary of State fictitious name registration number:**
   ____

12. **<u>If a limited liability partnership</u>**, provide proof of registration to operate in Florida:

   (a) **The Florida Secretary of State registration number:** __________

13. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.

Name:____

Title:____

Address:____
City/State/Zip:____

Telephone No.:____________________ **Fax No.:**______________
Internet E-Mail Address:________________________________
Internet Website Address:________________________________

14. **If a foreign limited partnership**, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) **The Florida registration number:**________________________

15. Provide **F.E.I. Number** (if applicable): 52-2135567

16. Provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services?
(x) Yes ( ) No

(b) If not, who will bill for your services?

Name:____
Title:____

Address:____

City/State/Zip:____

Telephone No.:____________________ **Fax No.:**______________

(c) How is this information provided?

____

____

17. Who will receive the bills for your service?

( ) Residential Customers (x) Business Customers
( ) PATs providers ( ) PATs station end-users
( ) Hotels & motels ( ) Hotel & motel guests
( ) Universities ( ) Universities dormitory residents
( ) Other: (specify)____________________.

18. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: William K. Coulter and Matthew Vitale

Title: Counsel For BCE Nexxia Corporation

Address: Coudert Brothers LLP, 1627 I Street, N.W.. Suite 1200
City/State/Zip: Washington, DC 20006

Telephone No.: (202) 775-5100 **Fax No.:** (202) 775-1168
Internet E-Mail Address: coulterw@coudert.com and vitalem@coudert.com
Internet Website Address: www.coudert.com

(b) Official point of contact for the ongoing operations of the company:

Name: David C. Kidd

Title: Vice-President, Regulatory Law

Address: Bell Canada 105 Hotel de Ville, Room 6005
City/State/Zip: Hull, Quebec, JBX4H7 Canada

Telephone No.: 819-773-5807 **Fax No.:** 819-773-6158
Internet E-Mail Address: david.kidd@bell.ca
Internet Website Address: www.bellnexxia.com

(c) Complaints/Inquiries from customers:

Name: Gail D. Veary

Title: Director, Canadien Global Service Centre

Address: Bell Canada 110 O'Conner Street
City/State/Zip: Ottawa, Ontario, K1P1H1, Canada

Telephone No.: (888) 879-2272 **Fax No.:** 613-660-2911
Internet E-Mail Address: gail.veary@bell.ca
Internet Website Address: www.bellnexxia.com

19. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.

None.

(b) has applications pending to be certificated as an interexchange telecommunications company.

None.

(c) is certificated to operate as an interexchange telecommunications company.

None.

(d) has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.

None.

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None.

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None.

20. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

None.

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

None.

21. The applicant will provide the following interexchange carrier services √ (check all that apply):

a.________ **MTS with distance sensitive per minute rates**

________ Method of access is FGA
________ Method of access is FGB
________ Method of access is FGD
________ Method of access is 800

b.________ **MTS with route specific rates per minute**

________ Method of access is FGA
________ Method of access is FGB
________ Method of access is FGD
________ Method of access is 800

c.________ **MTS with statewide flat rates per minute (i.e. not distance sensitive)**

________ Method of access is FGA
________ Method of access is FGB
________ Method of access is FGD
________ Method of access is 800

d.________ **MTS for pay telephone service providers**

e.________ **Block-of-time calling plan (Reach Out Florida, Ring America, etc.).**

f.________ **800 service (toll free)**

g.________ **WATS type service (bulk or volume discount)**

_______ Method of access is via dedicated facilities
_______ Method of access is via switched facilities

h.__x____ **Private line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

I.________ **Travel service**

_________ Method of access is 950
_________ Method of access is 800

j.________ **900 service**

k.________ **Operator services**

________ Available to presubscribed customers
________ Available to non presubscribed customers (for example, to patrons of hotels, students in universities, patients in hospitals).
________ Available to inmates

l. **Services included are:**

_________ Station assistance
_________ Person-to-person assistance
_________ Directory assistance
_________ Operator verify and interrupt
_________ Conference calling

22. Submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

See Exhibit A.

23. Submit the following:

A. Managerial capability; give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.
See Exhibit B.

B. Technical capability; give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.
See Exhibit B.

C. Financial capability.

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated. See Exhibit C.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet;

2. income statement; and

3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **A written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served. See Exhibit C.

2. **A written explanation** that the applicant has sufficient financial capability to maintain the requested service. See Exhibit C.

3. **A written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

See Exhibit C.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

Martine Turcotte
Print Name

Martine Turcotte
Signature

Secretary
Title

June 11, 2003
Date

514-870-4637 514-870-4877
Telephone No. **Fax No.**

Address: BCE Nexxia Corporation
Bureau 4100
1000 de la Gauchetierre Street West
Montreal, Quebec
H3B 5H8 Canada

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

THIS PAGE MUST BE COMPLETED AND SIGNED

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be provided in one of the following ways (applicant, please √ check one):

(x) The applicant will **not** collect deposits nor will it collect payments for service more than one month in advance.

( ) The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month.
(The bond must accompany the application.)

UTILITY OFFICIAL:

Martine Turcotte	Martine Turcotte
Print Name	**Signature**
Secretary	June 11, 2003
Title	**Date**
514-870-4637	514-870-4877
Telephone No.	**Fax No.**

Address: BCE Nexxia Corporation
Bureau 4100, 1000 de la Gauchetierre Street West
Montreal, Quebec
H3B 5H8 Canada

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide interexchange telecommunications service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Martine Turcotte	Martine Turcotte
Print Name	**Signature**
Secretary	June 11, 2003
Title	**Date**
514-870-4637	514-870-4877
Telephone No.	**Fax No.**

Address: BCE Nexxia Corporation
Bureau 4100, 1000 de la Gauchetierre Street West
Montreal, Quebec
H3B 5H8 Canada

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

CURRENT FLORIDA INTRASTATE SERVICES

Applicant **has** (   ) or **has not** (x) previously provided intrastate telecommunications in Florida.

If the answer is <u>has</u>, fully describe the following:

a) What services have been provided and when did these services begin?

____

____

____

b) If the services are not currently offered, when were they discontinued?

____

____

____

UTILITY OFFICIAL:

Martine Turcotte
Print Name

Martine Turcotte
Signature

Secretary
Title

June 11, 2003
Date

514-870-4637
Telephone No.

514-870-4877
Fax No.

Address: BCE Nexxia Corporation
Bureau 4100, 1000 de la Gauchetierre Street West
Montreal, Quebec
H3B 5H8 Canada

CERTIFICATE TRANSFER, OR ASSIGNMENT STATEMENT

EXHIBIT A

TITLE PAGE

BCE NEXXIA CORPORATION

FLORIDA TELECOMMUNICATIONS TARIFF

This Tariff contains the descriptions, regulations, and rates applicable to the furnishing of telecommunications services provided by BCE Nexxia Corporation, with principal offices at 1000 de la Gauchetiere Oust, Floor 41, Montreal, Canada H3B58H. This Tariff applies for services furnished within the State of Florida. This Tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

By: Martine Turcotte
Secretary
BCE Nexxia Corporation
1000 de la Gauchetiere O
Floor 41
Montreal, Canada H3B58H

CHECK SHEET

The 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
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20	Original	40	Original	60	Original		

* New or Revised Page.

Issued:

Effective:

By: Martine Turcotte
Secretary
BCE Nexxia Corporation
1000 de la Gauchetiere O
Floor 41
Montreal, Canada H3B58H

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By: Martine Turcotte
Secretary
BCE Nexxia Corporation
1000 de la Gauchetiere O
Floor 41
Montreal, Canada H3B58H

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By: Martine Turcotte
Secretary
BCE Nexxia Corporation
1000 de la Gauchetiere O
Floor 41
Montreal, Canada H3B58H

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By: Martine Turcotte
Secretary
BCE Nexxia Corporation
1000 de la Gauchetiere O
Floor 41
Montreal, Canada H3B58H

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 Florida.

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 Florida. This Tariff applies only for use of services provided by Company for communications between points within the State of Florida, 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 Florida. 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 Florida Public Service 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").

EXPLANATION OF SYMBOLS

(D) Delete Or Discontinue.

(I) Change Resulting In An Increase to A Customer's Bill.

(M) Moved From Another Tariff Location.

(N) New.

(R) Change Resulting In A Reduction To A Customer's Bill.

(T) Change In Text Or Regulation But No Change In Rate Or Charge.

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.

By: Martine Turcotte
Secretary
BCE Nexxia Corporation
1000 de la Gauchetiere O
Floor 41
Montreal, Canada H3B58H

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.

By: Martine Turcotte
Secretary
BCE Nexxia Corporation
1000 de la Gauchetiere O
Floor 41
Montreal, Canada H3B58H

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 Florida. 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.

By: Martine Turcotte
Secretary
BCE Nexxia Corporation
1000 de la Gauchetiere O
Floor 41
Montreal, Canada H3B58H

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 Florida. 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 – Florida Public Service Commission, the regulatory agency within the State of Florida.

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 Florida.

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.

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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 FL P.S.C. 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.

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 Florida 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. Only certificated resellers and rebillers are eligible to apply for wholesale services under this Tariff.

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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.

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 Florida.

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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 Florida 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.

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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.

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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) In order to safeguard its interests, the Company may require a Customer or potential customer with a proven history of late payments to the Company, or who does not have established credit, to make a deposit prior to or any time after the provision of Service to the Customer to be held by the Company as a guarantee of the payment of rates and charges.

(b) A deposit may not exceed the actual or estimated rates and charges for the Service for a two-month period. The fact that a deposit has been made in no way relieves the Customer from complying with the Company's requirement as to the prompt payment of bills.

(c) At such time as the provision of the Service to the Customer is terminated, the amount of the deposit will be credited to the Customer's account and any credit balance which may remain will be refunded. After the Customer has established a one year prompt payment record, such a deposit will be refunded or credited to the Customer account at any time prior to the termination of the provision of the Service to the Customer.

(d) If the amount of a deposit is proven to be less than required to meet the requirements specified above, the Customer shall be required to pay an additional deposit upon request.

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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 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.

(b) All bills for Service provided to the Customer by the Company are due 30 days from the bill date. 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.

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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 (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, and are not included in the quoted rates.

(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 Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850.

(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.

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

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

2.8.4 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.

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

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

2.8.8 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.

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.

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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.

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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)

(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.

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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)

(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.

SECTION 2 – RULES AND REGULATIONS (CONT'D)

2.13 Refusal or Discontinuance by the Company

2.13.1 The Company, by five (5) working days 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, or where there is any violation of the provisions of this Tariff.

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, with notice, where the Customer will be allowed a reasonable time to comply, 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.

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

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SECTION 2 – RULES AND REGULATIONS (CONT'D)

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

2.13.6 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.

2.13.7 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.

2.13.8 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.

2.13.9 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.

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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.

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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 2 – RULES AND REGULATIONS (CONT'D)

2.16 Special Rates for the Handicapped

The Company does not currently offer switched voice services. Once the Company commences providing switched voice services, it shall comply with the following:

2.16.1 Directory Assistance

There shall be no charge for up to fifty calls per billing cycle from lines or trunks serving individuals with disabilities. The Company shall charge the prevailing Tariff rates for every call in excess of 50 within a billing cycle.

2.16.2 Hearing and Speech Impaired Persons

Intrastate toll message rates for TDD users shall be evening rates for daytime calls and night rates for evening and night calls.

2.16.3 Telecommunications Relay Service

For intrastate toll calls received from the relay service, the Company will when billing relay calls discount relay service calls by 50 percent off of the otherwise applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted 60 percent off of the otherwise applicable rate for a voice nonrelay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges such as a credit card surcharge.

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SECTION 3 -SERVICE DESCRIPTIONS

3.1 General

BCE offers intrastate interexchange telecommunications services for communications originating and terminating within the State of Florida 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".

BCE does not offer switched voice services at this time. Once BCE commences providing switched voice services, it shall comply with the following:

3.1.1 A Customer can expect a call completion rate of not less than 90% during peak use periods for all Feature Group D services ("1+" dialing).

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SECTION 3 – SERVICE DESCRIPTIONS (CONT'D)

3.1 General (Cont'd)

3.1.2 Timing of Calls

Billing for calls is based in part on the duration of the call as follows, unless otherwise specified in this Tariff:

(a) Call timing begins when the called party answers the call (*i.e.*, when two-way communications are established). Answer detection is based on standard industry answer detection methods, including hardware and software answer detection.

(b) Chargeable time for calls ends when one of the parties disconnects from the call.

(c) For billing purposes, the minimum call duration periods vary by service and are specific by product or option in subsequent sections of this Tariff.

(d) For billing purposes, usage after the initial period varies by service and is specified by product or option in subsequent sections of this Tariff. Call durations are rounded up to the next billing increment.

(e) FTCS will not bill for unanswered calls. When a Customer indicates that he/she was billed for an incomplete call, FTCS will reasonably issue credit for the call.

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SECTION 3 – SERVICE DESCRIPTIONS (CONT'D)

3.1 General (Cont'd)

3.1.3 Rate Periods

(a) Unless otherwise specified, all usage charges are applicable twenty-four (24) hours per day, seven (7) days a week.

(b) For services subject to holiday discounts, the following are Company-recognized national holidays, determined by the location of the calling station: New Year's Day, Memorial Day, Independence Day, Thanksgiving Day, and Christmas Day.

(c) Calls are billed based on the rate in effect at the time the call begins. Calls that cross rate period boundaries are billed the rate in effect at the beginning of the call for the duration of the entire call.

3.1.4 Calculation of Distance

Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call.

The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers that are produced by Bell Communications Research in the NPA-NXX V & H Coordinates Tape and Bell's NECA Tariff No. 4.

Formula:

The square root of: $$\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}$$

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.

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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.

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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.

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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.

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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

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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

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

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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)	$175 - $250	$190	$750 - $850
DVB-ASI (270Mbps)	$175 - $250	$190	$750 - $850
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)	$100 - $200	$100 - $200	$475 - $550
MPEG (20 Mbps)	$75 - $150	$75 - $125	$350 - $420
MPEG (8 Mbps)	$75 - $125	$40 - $80	$250 - $300

Bi-directional rates = 1.7 X uni-directional rate

By: Martine Turcotte
Secretary
BCE Nexxia Corporation
1000 de la Gauchetiere O
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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).

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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.

By: Martine Turcotte
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EXHIBIT B

BCE Nexxia Corp
Senior Management and Technology Officials

Richard J. Mannion — President, BCE Nexxia Corp.

Mr. Mannion was appointed Chief Legal Officer of Bell Canada in June 2000, with responsibility for the legal affairs of the Bell Canada group in Montreal. He joined Bell Canada/BCE following university in 1981 and has held numerous positions in the BCE group with Bell Canada and Bell Mobility in Toronto and Monteal.

Mr. Mannion holds a Bachelor of Civil Law (B.C.L.) and Common Law (LL.B.) from McGill University and is a member of the Quebec and Ontario Bar Associations.

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Martine Turcotte — Secretary, BCE Nexxia Corp.

Ms. Turcotte was appointed Chief Legal Officer of BCE Inc. in June 1999 and is also a Member of the BCE Executive Council. She first joined BCE in August 1988 as Legal Counsel and has held numerous positions in the BCE group with Bell Canada International, BCE Media and Bell Canada.

Ms. Turcotte holds a Master's Degree in Business Administration ("MBA") from the London Business School, a Bachelor of Civil Law (B.C.L.) and Common Law (LL.B.) from McGill University and is a member of the Quebec Bar Association.

Since 1996, she is Member of the Board of Directors and the Financing Committee of Théâtre Espace Go Inc.

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Isabelle Courville – President, Enterprise Market, Bell Canada

Isabelle Courville was appointed President, Enterprise Market at Bell Canada, in May 2003.

Before, she held the position of President and Chief Executive Officer of Bell Nordiq Group Inc. (Télébec - NorthernTel), a telecommunications leader in the peripheral regions of Ontario and Quebec. Ms. Courville successfully spearheaded the creation of the Bell Nordiq Income Fund, the first of its kind in Canada's telecommunications industry. She also brought to fruition the integration of Télébec and NorthernTel.

Ms. Courville also held numerous senior executive functions at Bell Canada including, Senior Vice-President - Supply Chain and Capital Management and Assistant General Counsel with the group responsible for commercial and intellectual property matters. From 1997 to 1998 she was Vice-President - Alliances and Legal Services at Stentor Resource.

Isabelle Courville is Chairperson of the Board of Logicon, a networking subsidiary of Télébec, Limited Partnership, and of Proximedia Interaction Centre Inc. She also serves on the Board of Trade of Metropolitan Montreal and sits on the board of Yellow Pages Group, the new company created following the sale of Bell's directory services.

Isabelle Courville holds a bachelor's degree in engineering physics from the École Polytechnique de Montréal and a bachelor's degree in civil law from McGill University. She is a member of the Ordre des ingénieurs du Québec, the Barreau du Québec and the Canadian Bar Association.

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John Sheridan – Group President – Business Markets

John Sheridan is Group President, Business Markets and is responsible for the company's entire enterprise and small and medium-sized business portfolio across Canada. He is also responsible for customer operations for both consumer and business customers. He is chairman of Bell West.

John Sheridan first joined Bell Canada in 1979 from the Conference Board of Canada, and has since demonstrated his extensive expertise in Marketing, Sales and Customer Service Operations. From 1992 to 1996, he worked in the U.K. cable/telephony industry as CEO of ENCOM Cable TV and Telecommunications and COO of Bell Cablemedia Plc. In addition, he served as Vice-Chairman of the U.K. Cable Communications Association and as a director of several U.K. companies.

Currently he serves as a director on the boards of Aliant Inc., Manitoba Telephone Services Inc. and Ballard Power Systems Inc. He is involved in education, serving on the Board of the University of Southern California Centre for Telecommunications Management, on the Dean's Advisory Board of Wilfrid Laurier University and the Justin Eves Foundation Board for Learning Disabilities. He is active in key causes, serving on the Board of Governors of Junior Achievement, Deputy Chairman of the Metro Toronto United Way Campaign, Major Gifts Co-Chairman of the Salvation Army "Circle of Caring Campaign". He is also a member of the Premier of Ontario's Board of Councillors for Ontario's Promise - The Partnership for Children and Youth.

Mr. Sheridan is a Master's Economics graduate of Queen's University and holds undergraduate degrees from the University of Waterloo and Wilfrid Laurier University. He also lectured in undergraduate Micro and Macro Economics from 1981 to 1983 at Carleton University in Ottawa.

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Josie Scioli — Vice President – Enterprise Customer Care Centre, Bell Canada

Josie supports $2.2 billion in sales through her leadership of 700 employees in the Customer Care Centre. Bell Canada is the leading provider of full-service solutions to Canada's largest business customers. Delivering national network and IP broadband connectivity, superior service levels and personalized customer care, Bell Canada is at the forefront of providing customers with bundled, convergent solutions thus enabling unmatched competitive advantage.

Ms. Scioli's career with Bell Canada spans over 10 years. Before assuming her current role, Ms. Scioli was the Vice President of Finance for Bell Nexxia. She has been a leader in a number of Bell Canada departments and business units including positions with WorldLinx, BAC, Mediatel, MediaLinx, Bell Telic, Bell Global Solutions and Bell Canada/Bell Sygma. Ms. Scioli holds a bachelor of administration degree in economics and commerce from the University of Toronto.

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J. Trevor Anderson — Senior Vice President – Technology, Bell Canada

In his current position, Trevor is accountable for the planning, construction and maintenance of the Bell Canada National Network. This includes the Transport and Switching infrastructure as well as the Broadband and IP Networks. Prior to his current assignment in the role of VP - Strategic Initiatives, he was responsible for negotiating Alliance Agreements and developing the Business Plan for Bell Nexxia.

Trevor joined Bell Canada in 1972 after receiving his Bachelor of Engineering degree from Carleton University. Since that time, Trevor has held various positions in a number of BCE firms including Telesat, Bell Northern Research, Stentor Resource Centre Inc., Bell Advanced Communications Inc. and Bell Nexxia. His accountabilities have spanned a variety of disciplines and he has extensive experience in Technology, Marketing, Sales, Accounting and Administration.

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Charles R. Hill — Director, Transport Network Planning, Bell Canada

Charles R. Hill is the Director of Transport Network Planning for Bell Canada Holdings. In this role he is responsible for the design, strategic planning, and implementation of the Bell Nexxia National network for all Real Estate and Fiber holdings. Geographical responsibilities are for all Real Estate, Fiber, and Transport strategic and tactical planning for the Bell Nexxia national network, Bell West Core and Regional networks, and Nexxia US networks. This effectively reflects the planning responsibilities for the Pacific, Western, Prairie, Central and New York (Telergy) network rings. Close interface is with the Quebec and Aliant Ring planning for coast to coast coverage on National/International requirements. In addition to the above responsibilities other activities include Transport Life Cycle management and management of major projects including Government of Alberta and other Bell West Regional Tier 2 Network Developments.

Charles has over 27 years experience in the telecommunications industry ranging from Finance, Budget & Results, Commercial, Sales, Marketing, Provisioning and Operations. He has coordinated the introduction of a number of complex managed telecommunication services. He has been involved in strategic planning and process re-engineering that has included the implementation of new systems on a corporate wide basis. Previously Charles has worked in London, England for 5 years (93-98) at Cable & Wireless Communications Ltd. and Mercury Communications Ltd. as Business Process Architect, Business Provisioning Manager and Director of Network Operations.

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EXHIBIT C

BCE Nexxia Inc.
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 Inc.'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 three 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.[2] 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 Inc. 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. 39 ("entities that the Corporation has the ability to significantly influence are accounted for using the equity method").

[2] *See* 2001 Annual Report, BCE at p.1.

CONSOLIDATED FINANCIAL STATEMENTS - BCE INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the period ended December 31	Three months		Twelve months	
($ millions, except share amounts) (unaudited)	**2002**	2001 (1)	**2002**	2001 (1)
Operating revenues	**5,172**	5,113	**19,768**	19,340
Operating expenses	**3,259**	3,286	**12,146**	12,098
Amortization expense	**794**	948	**3,146**	3,826
Net benefit plans credit	**(8)**	(31)	**(33)**	(121)
Restructuring and other charges (Note 4)	**395**	741	**887**	980
Total operating expenses	**4,440**	4,944	**16,146**	16,783
Operating income	**732**	169	**3,622**	2,557
Other income (expense) (Note 5)	**2,242**	(11)	**2,468**	4,015
Impairment charge (Note 1)	**(770)**	-	**(770)**	-
Earnings from continuing operations before the under-noted items	**2,204**	158	**5,320**	6,572
Interest expense - long-term debt	**278**	243	**1,041**	952
- other debt	**71**	12	**120**	104
Total interest expense	**349**	255	**1,161**	1,056
Earnings (loss) from continuing operations before income taxes and non-controlling interest	**1,855**	(97)	**4,159**	5,516
Income taxes	**753**	31	**1,593**	1,759
Non-controlling interest	**267**	(38)	**668**	186
Earnings (loss) from continuing operations	**835**	(90)	**1,898**	3,571
Discontinued operations (Note 6)	**917**	(195)	**577**	(3,057)
Net earnings (loss)	**1,752**	(285)	**2,475**	514
Dividends on preferred shares	**(16)**	(14)	**(59)**	(64)
Net earnings (loss) applicable to common shares	**1,736**	(299)	**2,416**	450
Net earnings (loss) per common share - basic (Note 7)				
Continuing operations	**0.92**	(0.13)	**2.15**	4.34
Net earnings (loss)	**1.92**	(0.37)	**2.74**	0.56
Net earnings (loss) per common share - diluted (Note 7)				
Continuing operations	**0.91**	(0.13)	**2.13**	4.29
Net earnings (loss)	**1.89**	(0.37)	**2.71**	0.55
Dividends per common share	**0.30**	0.30	**1.20**	1.20
Average number of common shares outstanding (millions)	**909.1**	808.5	**847.9**	807.9
The following is a reconciliation of net earnings (loss) to reflect the comparative impact of the non-amortization of goodwill and indefinite-life intangible assets effective January 1, 2002 (Refer to Note 1).				
Adjusted net earnings (loss)				
Net earnings (loss), as reported	**1,752**	(285)	**2,475**	514
Amortization expense on goodwill and indefinite-life intangible assets	**-**	234	**-**	971
Net earnings (loss), adjusted	**1,752**	(51)	**2,475**	1,485
Adjusted net earnings (loss) per common share				
Basic	**1.92**	(0.08)	**2.74**	1.76
Diluted	**1.89**	(0.08)	**2.71**	1.74

(1) Refer to Note 1 "Significant accounting policies" for basis of presentation.

CONSOLIDATED FINANCIAL STATEMENTS - BCE INC.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

For the period ended December 31	Three months		Twelve months	
($ millions) (unaudited)	**2002**	2001	**2002**	2001
Balance at beginning of period, as previously reported	**(7,605)**	1,238	**712**	1,339
Adjustment for change in accounting policy (Note 1)	**-**	-	**(8,180)**	-
Balance at beginning of period, as restated	**(7,605)**	1,238	**(7,468)**	1,339
Net earnings (loss)	**1,752**	(285)	**2,475**	514
Dividends - Preferred shares	**(16)**	(14)	**(59)**	(64)
- Common shares	**(274)**	(242)	**(1,031)**	(969)
	(290)	(256)	**(1,090)**	(1,033)
Costs relating to the issuance of common shares	**-**	-	**(62)**	-
Premium on redemption of common and preferred shares	**-**	-	**(6)**	(108)
Other	**(6)**	15	**2**	-
Balance at end of period	**(6,149)**	712	**(6,149)**	712

CONSOLIDATED FINANCIAL STATEMENTS - BCE INC.

CONSOLIDATED BALANCE SHEETS

At December 31 ($ millions) (unaudited)	2002[(1)]	2001
ASSETS		
Current assets		
Cash and cash equivalents[(2)]	**306**	569
Accounts receivable	**2,343**	4,118
Income and other taxes receivable	**147**	-
Other current assets	**769**	1,213
Total current assets	**3,565**	5,900
Investments	**777**	1,106
Capital assets	**20,486**	25,861
Future income taxes	**675**	1,031
Other long-term assets	**3,057**	3,363
Indefinite-life intangible assets	**900**	866
Goodwill	**10,103**	15,947
Total assets	**39,563**	54,074
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**3,834**	5,792
Income and other taxes payable	**-**	681
Debt due within one year	**2,026**	5,263
Total current liabilities	**5,860**	11,736
Long-term debt	**13,395**	14,861
Future income taxes	**815**	924
Other long-term liabilities	**3,026**	4,129
Total liabilities	**23,096**	31,650
Non-controlling interest	**3,596**	5,625
SHAREHOLDERS' EQUITY		
Preferred shares	**1,510**	1,300
Common shareholders' equity		
Common shares[(3)]	**16,520**	13,827
Contributed surplus	**980**	980
Retained earnings (deficit)	**(6,149)**	712
Currency translation adjustment	**10**	(20)
Total common shareholders' equity	**11,361**	15,499
Total shareholders' equity	**12,871**	16,799
Total liabilities and shareholders' equity	**39,563**	54,074

(1) Refer to Note 1 "Significant accounting policies" for basis of presentation.

(2) At December 31, 2001, cash and cash equivalents include $233 million of restricted cash (nil at December 31, 2002). This amount represented BCE's share of Telecom Américas Ltd.'s cash used by it to collaterallize short-term bank loans of certain of its subsidiaries.

(3) At December 31, 2002, 915,867,928 (808,514,211 at December 31, 2001) BCE Inc. common shares and 20,470,700 (18,527,376 at December 31, 2001) BCE Inc. stock options were outstanding. 103 million common shares were issued during 2002 in connection with the repurchase by BCE Inc. of SBC Communications Inc.'s indirect minority interest in Bell Canada (refer to Note 3 "Business acquisitions and dispositions"). The stock options were issued under BCE's Long-Term Incentive Stock Option Programs and are exercisable on a one-for-one basis for common shares of BCE Inc. Additionally, Teleglobe stock option holders will receive, upon exercise of their stock options, 0.91 of a BCE Inc. common share for each Teleglobe stock option held. At December 31, 2002, all Teleglobe stock options outstanding were exercisable into 4,266,723 BCE Inc. common shares (10,204,966 at December 31, 2001).

CONSOLIDATED FINANCIAL STATEMENTS - BCE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended December 31	Three months		Twelve months	
($ millions) (unaudited)	**2002**	2001 (1)	**2002**	2001 (1)
Cash flows from operating activities				
Earnings (loss) from continuing operations	**835**	(90)	**1,898**	3,571
Adjustments to reconcile earnings (loss) from continuing operations to cash flows from operating activities:				
Amortization expense	**794**	948	**3,146**	3,826
Net benefit plans credit	**(8)**	(31)	**(33)**	(121)
Restructuring and other charges	**333**	731	**805**	915
Impairment charge	**770**	-	**770**	-
Net gains on investments	**(2,260)**	(50)	**(2,435)**	(4,088)
Future income taxes	**612**	179	**602**	682
Non controlling interest	**267**	(38)	**668**	186
Other items	**(56)**	(657)	**(298)**	(894)
Changes in non-cash working capital	**(96)**	268	**(592)**	157
	1,191	1,260	**4,531**	4,234
Cash flows from investing activities				
Capital expenditures	**(1,074)**	(1,196)	**(3,771)**	(4,999)
Investments	**(5,097)**	(152)	**(6,604)**	(535)
Divestitures	**2,761**	141	**3,230**	4,749
Other items	**5**	(73)	**10**	(122)
	(3,405)	(1,280)	**(7,135)**	(907)
Cash flows from financing activities				
Decrease in notes payable and bank advances	**(636)**	(217)	**(210)**	(2,744)
Issue of long-term debt	**2,508**	387	**4,908**	2,443
Repayment of long-term debt	**(2,091)**	(258)	**(2,893)**	(1,221)
Issue of common shares	**303**	5	**2,693**	71
Costs relating to the issuance of common and preferred shares	**-**	-	**(78)**	-
Purchase of common shares for cancellation	**-**	-	**-**	(191)
Issue of preferred shares	**-**	-	**510**	-
Redemption of preferred shares	**-**	-	**(306)**	-
Dividends paid on common and preferred shares	**(284)**	(256)	**(1,042)**	(1,033)
Issue of common shares, preferred shares, convertible debentures and equity-settled notes by subsidiaries to non-controlling interest	**5**	89	**206**	1,459
Redemption of preferred shares by subsidiaries	**-**	(1)	**-**	(347)
Dividends paid by subsidiaries to non-controlling interest	**(147)**	(89)	**(468)**	(357)
Other items	**(10)**	55	**(46)**	72
	(352)	(285)	**3,274**	(1,848)
Effect of exchange rate changes on cash and cash equivalents	**2**	(1)	**3**	(2)
Cash provided by (used in) continuing operations	**(2,564)**	(306)	**673**	1,477
Cash used in discontinued operations	**-**	(213)	**(936)**	(1,168)
Net increase (decrease) in cash and cash equivalents	**(2,564)**	(519)	**(263)**	309
Cash and cash equivalents at beginning of period	**2,870**	1,088	**569**	260
Cash and cash equivalents at end of period	**306**	569	**306**	569

(1) Refer to Note 1 "Significant accounting policies" for basis of presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - BCE INC.

The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements as at December 31, 2001 and 2000 and for each of the years in the three-year period ended December 31, 2001, dated July 23, 2002.

1. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), using the same accounting policies as outlined in Note 1 of the annual consolidated financial statements as at December 31, 2001 and 2000 and for each of the years in the three-year period ended December 31, 2001, dated July 23, 2002 except as noted below. Certain comparative figures in the consolidated financial statements have been reclassified to conform to the current period presentation.

Basis of presentation

All financial information for 2002 and prior periods were restated to reflect the accounting treatment of BCE's investments in Teleglobe Inc. ("Teleglobe") and Bell Canada International Inc. ("BCI") as discontinued operations (refer to Note 6 "Discontinued operations"), and the adoption of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1650 regarding the accounting treatment of foreign currency translation (refer to "Recent pronouncements") effective in the first quarter of 2002. In addition, effective in the second quarter of 2002, BCE ceased to consolidate the financial results of Teleglobe and BCI, and during 2002 held these investments at cost (refer to Note 6 "Discontinued operations").

Recent pronouncements

Business combinations, goodwill and other intangible assets

The CICA 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. Additionally, effective January 1, 2002, goodwill and intangible assets with an indefinite life are no longer being 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 impairment was charged to opening retained earnings. BCE's management allocated its existing goodwill and intangible assets with an indefinite life to its reporting units and completed the assessment of the quantitative impact of the transitional impairment test on its financial statements. In 2002, an impairment of $8,180 million was charged to opening retained earnings as of January 1, 2002, as required by the transitional provisions of the new CICA Handbook section 3062, relating to impaired goodwill of reporting units within Teleglobe ($7,516 million), Bell Globemedia ($545 million) and BCE Emergis ($119 million).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following represents a reconciliation of the stated goodwill as at December 31, 2002:

($ millions)	
Goodwill, January 1, 2002	**15,947**
Transitional goodwill impairment charge	(8,652)
Goodwill acquired during the year [1]	5,472
Goodwill disposed during the year [2]	(218)
Deconsolidation of Teleglobe and BCI	(1,754)
Impairment charge [3]	(770)
Impact of changes in foreign currency translation	78
Goodwill, December 31, 2002	**10,103**

(1) The goodwill acquired during 2002 relates primarily to the acquisition of SBC Communications Inc.'s ("SBC") 20% interest in Bell Canada Holdings Inc. ("BCH") (refer to Note 3 "Business acquisitions and dispositions").

(2) The goodwill disposed during 2002 relates primarily to the sale of the Directories business (refer to Note 3 "Business acquisitions and dispositions").

(3) In the fourth quarter of 2002, BCE completed its annual assessment of goodwill of all of its reporting units, as required by the provisions of CICA Handbook section 3062, and recorded a charge to pre-tax earnings of $770 million ($530 million after non-controlling interest) relating to impaired goodwill of reporting units within Bell Globemedia ($715 million) and Aliant ($55 million). In each case, the goodwill was written down to its fair value, which was determined based on estimates of discounted future cash flows and corroborated by market-related values.

The primary factor contributing to the impairment at Bell Globemedia is a revised estimate of future cash flows that reflect management's decision to scale back its trials in convergence products and other non-core businesses, as well as current market conditions for the media business. The write-down at Aliant was determined to be appropriate in light of current market conditions and the recent weak performance of its information technology line of business.

Foreign currency translation

Effective January 1, 2002, BCE also adopted the revised recommendations of CICA Handbook Section 1650, Foreign Currency Translation. 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 were applied retroactively with restatement of prior periods. The cumulative effect as at January 1, 2002 was to decrease other long-term assets by $288 million, increase future income taxes by $27 million, decrease non-controlling interest by $70 million and decrease retained earnings by $191 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - BCE INC.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-based compensation and other stock-based payments

BCE also adopted the new recommendations of CICA Handbook Section 3870, Stock-based compensation and other stock-based payments, effective January 1, 2002. 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. The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method. The standard encourages the use of a fair value based method for all awards granted to employees, but only requires the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. Awards that a company has the ability to settle in stock are recorded as equity, whereas awards that the entity is required to or has a practice of settling in cash are recorded as liabilities. For BCE, this Section applies to all awards granted on or after January 1, 2002. Upon adoption, BCE has elected to account for employee stock options by measuring compensation cost for options as the excess, if any, of the quoted market price of BCE Inc.'s common shares at the date of grant over the amount an employee must pay to acquire the common shares[1]. The following outlines the impact and assumptions used if the compensation cost for BCE's stock options was determined under the fair value based method of accounting for awards granted on or after January 1, 2002.

For the period ended December 31, 2002	Three Months	Twelve Months
Net earnings, as reported ($ millions)	1,752	2,475
Pro forma impact ($ millions)	(6)	(27)
Pro forma net earnings ($ millions)	1,746	2,448
Pro forma net earnings per common share (basic) ($)	1.91	2.71
Pro forma net earnings per common share (diluted) ($)	1.88	2.67
Assumptions used in Black Scholes option pricing model:		
Dividend yield	3.5%	3.3%
Expected volatility	30%	30%
Risk-free interest rate	3.8%	4.6%
Expected life (years)	3	4.4
Number of options granted	104,180	8,051,159
Weighted average fair value per option granted ($)	$3	$7

(1) In December 2002, BCE announced that effective January 1, 2003, it will account for employee stock options by measuring compensation cost for options granted on or after January 1, 2002 under the fair value based method of accounting, using a Black Scholes option pricing model. As a result of applying this new accounting policy, BCE expects to record operating expenses of approximately $40 million to $55 million in 2003, representing an impact of approximately $0.04 to $0.05 on net earnings per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - BCE INC.

2. SEGMENTED INFORMATION

BCE operates under four segments, based on products and services, reflecting the way that management classifies its operations for purposes of planning and performance management. These segments are the Bell Canada segment, Bell Globemedia, BCE Emergis and BCE Ventures.

For the period ended December 31		Three months		Twelve months	
($ millions)		**2002**	2001	**2002**	2001
Operating revenues					
Bell Canada	External	**4,499**	4,468	**17,318**	17,038
	Inter-segment [1]	**33**	68	**171**	164
		4,532	4,536	**17,489**	17,202
Bell Globemedia	External	**366**	344	**1,246**	1,175
	Inter-segment	**13**	10	**44**	28
		379	354	**1,290**	1,203
BCE Emergis	External	**100**	105	**399**	451
	Inter-segment	**31**	76	**141**	205
		131	181	**540**	656
BCE Ventures	External	**202**	196	**796**	670
	Inter-segment	**80**	91	**268**	374
		282	287	**1,064**	1,044
Corporate and other	External	**5**	0	**9**	6
	Inter-segment	**44**	30	**165**	85
		49	30	**174**	91
Less: Inter-segment eliminations [1]		**(201)**	(275)	**(789)**	(856)
Total operating revenues		**5,172**	5,113	**19,768**	19,340
EBITDA [2]					
Bell Canada		**1,788**	1,704	**7,289**	6,876
Bell Globemedia		**72**	43	**180**	108
BCE Emergis		**20**	35	**30**	127
BCE Ventures		**72**	88	**289**	290
Corporate and other, including inter-segment eliminations		**(39)**	(43)	**(166)**	(159)
Total EBITDA		**1,913**	1,827	**7,622**	7,242
Net earnings (loss) applicable to common shares					
Bell Canada		**1,407**	(101)	**2,423**	663
Bell Globemedia		**(493)**	(25)	**(492)**	(150)
BCE Emergis		**7**	(45)	**(51)**	(281)
BCE Ventures		**32**	41	**131**	270
Corporate and other, including inter-segment eliminations		**(118)**	40	**(113)**	3,069
Total earnings (loss) from continuing operations		**835**	(90)	**1,898**	3,571
Discontinued operations		**917**	(195)	**577**	(3,057)
Dividends on preferred shares		**(16)**	(14)	**(59)**	(64)
Total net earnings (loss) applicable to common shares		**1,736**	(299)	**2,416**	450

(1) Certain comparative figures have been reclassified to conform to the current period presentation.

(2) "EBITDA" is defined as operating revenues less operating expenses and therefore reflects earnings before interest, taxes, depreciation and amortization, as well as any non-recurring items. BCE uses "EBITDA", amongst other measures, to assess the operating performance of its on-going businesses. The term "EBITDA" does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. EBITDA should not be construed as the equivalent of net cash flows from operating activities.

3. BUSINESS ACQUISITIONS AND DISPOSITIONS

Repurchase of SBC's 20% interest in BCH

On June 28, 2002, BCE Inc., BCH and entities controlled by SBC entered into agreements that led to the repurchase by BCE Inc. of SBC's 20% indirect interest in BCH, the holding company of Bell Canada, for $6.3 billion. Pursuant to these agreements, on June 28, 2002, BCH purchased for cancellation a portion of its outstanding shares from SBC for a purchase price of $1.3 billion, resulting in an increase in BCE Inc.'s ownership in BCH to 83.5%. On December 2, 2002, BCE Inc. completed the repurchase of the remaining 16.5% interest in BCH for a purchase price of $4.99 billion. The excess of the purchase price over the carrying value of the 20% interest in BCH amounted to $5.4 billion. This amount will be allocated to the individual net assets including intangibles of BCH based on a valuation of those individual net assets with any remaining excess being allocated to goodwill. Preliminarily, this excess has been allocated entirely to goodwill.

BCE Inc. completed the financing of the $6.3 billion repurchase price of SBC's indirect interest in Bell Canada through the following steps:

- $1.1 billion drawn on July 15, 2002 under a $3.3 billion two-year non-revolving credit agreement;
- proceeds from the issuance on July 15, 2002 of 9 million BCE Inc. common shares for $250 million ($27.63 per share), by way of a private placement to SBC;
- net proceeds from the public issuance on August 12, 2002 of 85 million common shares of BCE Inc. for $2 billion ($24.45 per share);
- net proceeds from the public issuance on October 30, 2002 of long-term notes of BCE Inc. for $2 billion;
- proceeds from the issuance on December 2, 2002 of 9 million BCE Inc. common shares for $250 million ($28.36 per share), by way of a second private placement to SBC; and
- the remaining $0.7 billion was financed from a portion of the net proceeds from the sale of the Directories business.

As part of the agreements, BCE Inc. will also purchase, at face value, on or before December 31, 2004, $314 million of BCH Convertible Series B Preferred Securities held by SBC.

In connection with the arrangements described above, on June 28, 2002, BCH granted to SBC an option ("BCH option") to purchase 20% of the then outstanding common shares of BCH at an exercise price of approximately $39.48 per share, representing an approximate 25% premium to the June 28, 2002 negotiated repurchase price of the BCH shares, exercisable no later than January 30, 2003.

Sale of the Directories business

On November 29, 2002, Bell Canada and certain affiliates completed the sale of their print and electronic Directories business for $3 billion cash. As a result, BCE recorded a gain on sale of $2.3 billion. The purchasers own an approximate 90% equity interest of an acquisition vehicle that holds the Directories business. Bell Canada indirectly acquired an approximate 10% equity interest in the acquisition vehicle for approximately $91 million.

Creation of Bell West Inc. ("Bell West")

In April 2002, Bell Canada and Manitoba Telecom Services Inc. ("MTS"), a related party, combined their interests of the wireline assets of BCE Nexxia Inc. in Alberta and British Columbia with Bell Intrigna Inc. to create Bell West, a company providing telecommunications services in those two provinces. Bell West operates under the Bell brand and is owned 60% by Bell Canada and 40% by MTS. The terms of the agreement between Bell Canada and MTS also include certain put and call options with respect to MTS' 40% ownership of Bell West.

3. BUSINESS ACQUISITIONS AND DISPOSITIONS (Continued)

The put options for MTS are as follows:
- In February 2004, MTS can sell its interest in Bell West to Bell Canada at a guaranteed floor value of $458 million plus incremental funding (including an 8% return on that incremental funding) invested by MTS going forward (floor value). In January 2007, MTS can sell its interest in Bell West to Bell Canada at fair market value less 12.5%. MTS can also sell its interest in Bell West to Bell Canada at fair market value less 12.5% upon the occurrence of certain change events affecting Bell West.

The call options for Bell Canada should MTS not exercise its put options are as follows:
- In March 2004, Bell Canada has the option to purchase MTS interest at the greater of the floor value and fair market value. In February 2007, Bell Canada has the option to purchase MTS interest at fair market value. Bell Canada can also purchase MTS interest at fair market value upon a change of control of MTS to a party other than Bell Canada or its affiliates.

Creation of the Bell Nordiq Income Fund
In April 2002, Bell Canada announced the completion of an initial public offering of units of a newly created income fund (the "Bell Nordiq Income Fund"). The Fund acquired from Bell Canada a 36% interest in each of Télébec Limited Partnership and Northern Telephone Limited Partnership. Bell Canada retains management control over both partnerships and holds a 64% interest in the partnerships. Bell Canada received gross proceeds of $324 million and recorded a gain on sale of $222 million (BCE's share is $170 million on an after-tax basis).

4. RESTRUCTURING AND OTHER CHARGES

Bell Canada streamlining costs and other charges
In the fourth quarter of 2002, Bell Canada recorded a pre-tax restructuring charge of $302 million ($190 million after tax), representing restructuring and other charges of $232 million and $70 million, respectively. The restructuring charge is related to employee severance, including enhanced pension benefits and other directly related employee costs, for approximately 1,700 employees, which resulted primarily from a decision to streamline certain management, clerical, line and other support functions. The restructuring program is expected to be completed in 2003. At December 31, 2002, the remaining unpaid balance of this restructuring provision relating to employee severance and other directly related employee costs was $111 million. Other charges consisted primarily of various accounts receivable write-downs relating to billing adjustments and unreconciled balances from prior years.

Write-off of deferred costs
In the fourth quarter of 2002, BCE recorded a pre-tax charge of $93 million ($61 million on an after tax basis), representing a write-off of deferred costs relating to various convergence initiatives after an analysis indicated that it is unlikely that these costs will be recovered.

Settlement of pay equity complaints
On September 25, 2002, the members of the Canadian Telecommunications Employees' Association ("CTEA") ratified a settlement reached between the CTEA and Bell Canada with respect to the 1994 pay equity complaints filed by members of the CTEA before the Canadian Human Rights Tribunal. The settlement includes a cash payout of $128 million and related pension benefits of approximately $50 million. As a result of the settlement, Bell Canada recorded a one-time charge of $79 million (BCE's share is $37 million on an after-tax basis) in the third quarter of 2002, which corresponds to the $128 million cash payout, net of a previously recorded provision. The pension benefits will be deferred and amortized into earnings over the estimated average remaining service life of active employees and the estimated average remaining life of retired employees.

4. RESTRUCTURING AND OTHER CHARGES (Continued)

Write-down of Bell Canada's accounts receivable

Coincident with the development of a new billing platform, Bell Canada has adopted a new and more precise methodology to analyze the amount of receivables by customer and service line, which permits a more accurate determination of the validity of customer balances to Bell Canada. This analysis indicated that as at June 30, 2002, a write-down of accounts receivable amounting to $272 million (BCE's share is $142 million on an after-tax basis) is appropriate. As these amounts arose from legacy billing systems and processes, Bell Canada has carried out a detailed review of billings and adjustments for the period from 1997 to 2002. This review determined that these amounts arose as the cumulative result of a series of individually immaterial events and transactions pertaining to its legacy accounts receivable systems dating back to the early 1990's.

BCE Emergis restructuring plan

BCE Emergis Inc. ("BCE Emergis") recorded a pre-tax charge of $119 million (BCE's share is $63 million on an after-tax basis) in the second quarter of 2002, representing restructuring and other charges of $100 million and $19 million, respectively, related to the write-off of certain assets, employee severance and other employee costs, contract settlements and costs of leased properties no longer in use, which resulted primarily from the streamlining of BCE Emergis' service offerings and reduction in its operating cost structure. The restructuring program is substantially complete. As at December 31, 2002, the remaining unpaid balance of this restructuring provision was $23 million.

5. OTHER INCOME (EXPENSE)

For the period ended December 31	Three months		Twelve months	
($ millions)	**2002**	2001	**2002**	2001
Net gains on investments	**2,246**	7	**2,427**	4,044
Foreign currency gains (losses)	**(1)**	(8)	**36**	(83)
Other	**(3)**	(10)	**5**	54
Other income (expense)	**2,242**	(11)	**2,468**	4,015

In the fourth quarter of 2002, net gains on investments of $2,246 million resulted primarily from the sale of the Directories business ($2,310 million). The remaining $64 million net loss consists of various write-downs of portfolio investments. Included in other is a $30 million write-down of deferred financing costs relating to the early retirement of credit facilities.

In 2002, net gains on investments of $2,427 million also included the sale of a 36% interest in both Télébec Limited Partnership and Northern Telephone Limited Partnership upon the creation of the Bell Nordiq Income Fund ($222 million) and a $98 million write-down of the remaining portfolio investment in Nortel Networks.

6. DISCONTINUED OPERATIONS

For the period ended December 31	Three months		Twelve months	
($ millions)	**2002**	2001	**2002**	2001
Teleglobe	**1,042**	(174)	**893**	(2,810)
BCI	**(125)**	(21)	**(316)**	(247)
Net gain (loss) from discontinued operations	**917**	(195)	**577**	(3,057)

Teleglobe

Teleglobe provides international voice and data telecommunications services. Until the second quarter of 2002, Teleglobe also provided, through its investment in the Excel Communications group ("Excel"), retail telecommunications services such as long distance, paging and Internet services to residential and business customers in North America. The results of operations of Teleglobe 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 Teleglobe's investment in Excel.

6. DISCONTINUED OPERATIONS (Continued)

On April 24, 2002, BCE Inc. announced that it would cease further long-term funding to Teleglobe. BCE Inc.'s decision was based on a number of factors, including a revised business plan and outlook of the principal operating segment of Teleglobe with associated funding requirements, a revised assessment of its prospects, and a comprehensive analysis of the state of its industry. In light of that decision, Teleglobe announced that it would pursue a range of financial restructuring alternatives, potential partnerships and business combinations. Also on April 24, 2002, all BCE Inc.-affiliated board members of Teleglobe tendered their resignation from the Teleglobe board. The effective result of these events was the exit by BCE of the Teleglobe business and the eventual material reduction in BCE's approximate 96% economic and voting interest in Teleglobe as a result of the ongoing restructuring of Teleglobe. Accordingly, effective April 24, 2002, BCE reclassified the financial results of Teleglobe as a discontinued operation.

BCE's management completed its assessment of the net realizable value of BCE's interest in the net assets of Teleglobe and determined it to be nil, resulting in a loss from discontinued operations of $73 million, which is in addition to the transitional impairment charge of $7,516 million to opening retained earnings as at January 1, 2002, as required by the transitional provisions of the new CICA Handbook section 3062 (refer to Note 1).

On May 15, 2002 and later during the year, Teleglobe and certain of its subsidiaries filed for court protection under insolvency statutes in various countries, including Canada and the United States. On September 19, 2002, Teleglobe announced the execution of agreements for the sale of its core telecommunications business. Effective November 30, 2002, BCE Inc.'s debtor-in-possession and employee severance and retention facilities were fully repaid by Teleglobe and terminated. On December 31, 2002, after obtaining court approval, BCE Inc. and its affiliates sold all of their common and preferred shares in Teleglobe to the court-appointed monitor for nominal consideration.

The sale triggered approximately $10 billion of capital losses. BCE recorded a gain of $1,042 million, relating primarily to the tax benefit from (i) reinstating non-capital losses that were previously used to offset the gain on sale of Nortel Networks shares in 2001; and (ii) applying a portion of the capital losses against the gain on the sale of the Directories business in 2002. A valuation allowance has been provided against the entire amount of the unused tax benefit associated with the capital losses.

Change in accounting for Teleglobe
Since (i) BCE's management did not expect any future economic benefits from its approximate 96% economic and voting interest in Teleglobe; (ii) BCE has not guaranteed any of Teleglobe's obligations; and (iii) BCE has ceased further long-term funding to Teleglobe, BCE deconsolidated Teleglobe's financial results effective May 15, 2002, and began accounting for the investment at cost.

The following are amounts relating to BCE's interest in the net assets of Teleglobe on May 15, 2002: current assets of $1.4 billion, non-current assets of $4.3 billion, current liabilities of $3.6 billion, and non-current liabilities of $2.1 billion.

Refer to Note 8 "Commitments and Contingencies" for a description of the lending syndicate lawsuit filed against BCE Inc.

BCI
Prior to the sale of its interest in Telecom Américas Ltd., BCI developed and operated advanced communications companies in markets outside Canada, with a focus on Latin America. Effective January 1, 2002, BCE adopted a formal plan to dispose of its operations in BCI. As a result, BCI's results were reported as discontinued operations.

BCI's plan of arrangement
BCI completed the sale of its interest in Telecom Américas Ltd. in July 2002. BCI held most of its investments through Telecom Américas Ltd. BCI will be liquidated once all of its assets have been disposed of and all claims against it have been determined. A final distribution will be made to BCI's creditors and shareholders with the approval of the court.

6. DISCONTINUED OPERATIONS (Continued)

Change in accounting for BCI
Effective June 30, 2002, BCE deconsolidated BCI's financial results, and now accounts for the investment at cost. Therefore, all future financial results of BCI will not affect BCE's future financial results.

BCE recorded a charge of $316 million in 2002 ($191 million in the second quarter and $125 million in the fourth quarter), representing a write-down of its investment in BCI to an estimate of its net realizable value. The charge was reported as a loss from discontinued operations.

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

($ millions)	**December 31 2002**	December 31 2001
Current assets	**-**	1,957
Non-current assets	**50**	16,576
Current liabilities	**-**	(5,855)
Non-current liabilities	**-**	(5,250)
Net assets of discontinued operations	**50**	7,428

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

For the period ended December 31	**Three months**		**Twelve months**	
($ millions)	**2002**	2001	**2002**	2001
Revenue	**-**	984	**681**	3,695
Operating loss from discontinued operations, before tax	**-**	(251)	**(123)**	(3,407)
Gain (loss) on discontinued operations, before tax	**(125)**	0	**(407)**	461
Income tax recovery on operating loss	**-**	75	**40**	209
Income tax recovery (expense) on (gain) loss	**1,042**	0	**1,060**	(45)
Non-controlling interest	**-**	(19)	**7**	(275)
Net gain (loss) from discontinued operations	**917**	(195)	**577**	(3,057)

7. 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 period ended December 31	Three months		Twelve months	
	2002	2001	**2002**	2001
Earnings (loss) from continuing operations (numerator) ($ millions)				
Earnings (loss) from continuing operations	**835**	(90)	**1,898**	3,571
Dividends on preferred shares	**(16)**	(14)	**(59)**	(64)
Earnings from continuing operations - basic	**819**	(104)	**1,839**	3,507
Exercise of put options by CGI shareholders	**3**	0 [1]	**12**	2
Earnings (loss) from continuing operations - diluted	**822**	(104)	**1,851**	3,509
Weighted average number of common shares outstanding (denominator) (millions)				
Weighted average number of common shares outstanding - basic	**909.1**	808.5	**847.9**	807.9
Exercise of stock options	**1.9**	0 [1]	**2.0**	4.4
Exercise of put options by CGI shareholders	**13.0**	0 [1]	**13.0**	5.6
Weighted average number of common shares outstanding - diluted	**924.0**	808.5	**862.9**	817.9

[1] Anti-dilutive

8. COMMITMENTS AND CONTINGENCIES

Teleglobe lending syndicate lawsuit

Certain members of the Teleglobe lending syndicate (the "Plaintiffs") filed a lawsuit against BCE Inc. in the Ontario Superior Court of Justice on July 12, 2002. The Plaintiffs seek damages from BCE Inc. in the aggregate amount of US$1.19 billion (together with interests and costs), which they allege is equal to the amount they advanced as members of the Teleglobe and Teleglobe Holdings (U.S.) Corporation lending syndicate. The Plaintiffs' claim is based on several allegations, including that the actions and representations of BCE Inc. and its management in effect constituted a legal commitment of BCE Inc. that the advances would be repaid and that the court should disregard Teleglobe as a corporate entity and hold BCE Inc. responsible to repay the advances as Teleglobe's alter ego. The Plaintiffs represent approximately 95.2% of the US$1.25 billion advanced by the members of such lending syndicate. While the final outcome of any legal proceeding cannot be predicted with certainty, based upon information currently available, BCE Inc. is of the view that it has strong defences and it intends to vigorously defend its position.

CRTC second price cap Decision 2002-34

On May 30, 2002, the CRTC released Decision 2002-34, "Second Price Cap Decision", making a number of changes to the rules governing Canada's telecommunications industry with respect to local service for the next four years. One of the changes resulting from this Decision is that there be a mechanism (referred to in the Decision as the "deferral account") to provide to the majority of residential customers a combination of certain enhanced services, reduced rates and/or rebates, and certain other adjustments. Bell Canada will propose the manner in which it will implement these directives to the CRTC in March 2003. As at December 31, 2002, BCE's commitment associated with this Decision is estimated at $99 million.

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

	Bell Canada	Bell Globemedia	BCE Teleglobe	BCE Emergis	BCE Ventures
For the year ended December 31, 2001					
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.

						Authorized	Stated Capital	
							At December 31	
Series	Annual dividend rate	Convertible into	Conversion date	Redemption date	Redemption price	Number of shares	2001	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		2000	
	Number of shares	Stated capital	Number of shares	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		2000	
	Number of shares	Weighted average exercise price	Number of shares	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:

	Pension benefits		Other benefits	
For the year ended December 31	**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
– Fully diluted	3.06	0.97
Net earnings (loss) – Basic	0.58	(0.53)
– 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