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Headnote

Relief from registration and prospectus requirements for trades of preferred shares on the automatic conversion of the shares

Exemption Order

Bell Canada

Sections 48 and 76 of the *Securities Act*, R.S.B.C. 1996, c. 418

Background

Bell Canada applied for an exemption from the requirements to be registered to trade and to file and obtain receipts for a preliminary prospectus and prospectus in sections 34(1)(a) and 61 of the Act (the registration and prospectus requirements) for certain intended trades;

Representations

Bell Canada represents that:

1. it was incorporated by special act of Parliament in 1880 and continued under the *Canada Business Corporations Act* effective April 21, 1982; it has its registered and principal offices in Montreal, Québec;
2. its authorized capital consists of an unlimited number of common shares, an unlimited number of Class A Preferred Shares issuable in series, and an unlimited number of Class B Preferred Shares and Class C Preferred Shares, all without nominal or par value;
3. it is a reporting issuer under the Act and is not in default of any requirement of the Act or the *Securities Rules*, B.C. Reg. 194/97;
4. it is eligible to make use of the Short Form Prospectus Distribution System pursuant to National Instrument 44-101 *Short Form Prospectus Distributions*;
5. on January 11, 2000, Bell Canada issued 16,000,000 Cumulative Redeemable Class A Preferred Shares, Series 15 (Series 15 Preferred Shares) at a price of \$25.00 per share under a short form prospectus dated December 16, 1999 (the prospectus);

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6. the Series 15 Preferred Shares are convertible into Bell Canada's Cumulative Redeemable Class A Preferred Shares, Series 16 (Series 16 Preferred Shares) and the Series 16 Preferred Shares are convertible into Series 15 Preferred Shares, in each case at the option of the holders, subject to the following:
 - (a) holders of the Series 15 Preferred Shares and holders of the Series 16 Preferred Shares have the right, on certain specified dates (a Series 15 conversion date or a Series 16 conversion date), to convert, subject to the terms and conditions attaching to such shares, all or any Series 15 Preferred Shares or Series 16 Preferred Shares registered in their names into Series 16 Preferred Shares or Series 15 Preferred Shares on a one-for-one basis;
 - (b) the conversion of Series 15 Preferred Shares or Series 16 Preferred Shares may be effected by surrender of the certificate(s) representing the shares not earlier than forty-five (45) days prior to a Series 15 conversion date or a Series 16 conversion date but not later than the close of business on the fourteenth (14th) day preceding a Series 15 conversion date or a Series 16 conversion date;
 - (c) holders of Series 15 Preferred Shares and Series 16 Preferred Shares are not entitled to convert their shares if, following the close of business on the fourteenth (14th) day preceding a Series 15 conversion date or a Series 16 conversion date, Bell Canada determines that there would remain outstanding on such date less than 1,000,000 Series 16 Preferred Shares or Series 15 Preferred Shares after having taken into account all Series 15 Preferred Shares or Series 16 Preferred Shares tendered for conversion (the minimum number of Series 15 Preferred Shares or Series 16 Preferred Shares);
 - (d) if, following the close of business on the fourteenth (14th) day preceding a Series 15 conversion date or a Series 16 conversion date, Bell Canada determines that there would remain outstanding less than the minimum number of Series 15 Preferred Shares or Series 16 Preferred Shares, all of the remaining outstanding Series 15 Preferred Shares or Series 16 Preferred Shares will automatically be converted into Series 15 Preferred Shares or Series 16 Preferred Shares on a one-for-one basis;
7. the conversion of the Series 15 Preferred Shares into Series 16 Preferred Shares at the option of the holders of the Series 15 Preferred Shares and the conversion of the Series 16 Preferred Shares into Series 15 Preferred Shares at the option of the holders of Series 16 Preferred Shares are exempt from the

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registration and prospectus requirements pursuant to clauses 74(2)(11)(iii)(A) and 45(2)(12)(iii)(A) of the Act, respectively; and

8. no similar exemptions are available under the Act for the automatic conversion of the Series 15 Preferred Shares into Series 16 Preferred Shares or for the automatic conversion of Series 16 Preferred Shares into Series 15 Preferred Shares.

Order

Because it is not prejudicial to the public interest, the decision maker orders:

1. under sections 48 and 76 of the Act, the trades in Series 16 Preferred Shares upon the automatic conversion of the Series 15 Preferred Shares and the trades in Series 15 Preferred Shares upon the automatic conversion of the Series 16 Preferred Shares are exempt from the registration and prospectus requirements, provided that no commission or other remuneration is paid or given to any person in respect of such trades except for administrative or professional services or for services performed by a registered dealer; and
2. under section 76 of the Act, the first trade in Series 15 Preferred Shares and Series 16 Preferred Shares acquired under this order is deemed to be a distribution unless the conditions in section 2.10 or subsection (3) of section 2.6 of Multilateral Instrument 45-102 *Resale of Securities* are satisfied.

January 13, 2005

Noreen Bent
Manager