

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA,
ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK,
NOVA SCOTIA, PRINCE EDWARD ISLAND, NEWFOUNDLAND, THE YUKON
TERRITORY, THE NORTHWEST TERRITORIES AND NUNAVUT

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE
RELIEF APPLICATIONS

AND

IN THE MATTER OF CANADIAN PORTABLE CONTRIBUTION CONSORTIUM INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Yukon Territory, Northwest Territories and Nunavut (the "Jurisdictions") has received an application from Canadian Portable Contribution Consortium Inc. ("CPCC") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the registration and prospectus requirements of the Legislation shall not apply to the proposed distributions or trades of shares of CPCC made in connection with or subsequent to Decision CRTC 2000-745 ("Decision 2000-745") released by the Canadian Radio-television and Telecommunications Commission (the "CRTC");

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS CPCC has represented to the Decision Makers that:

1. CPCC is a company which was incorporated under the laws of Canada on October 23, 1997.
2. CPCC is not a reporting issuer or equivalent in any jurisdiction in Canada.
3. The authorized share capital of CPCC consists of an unlimited number of common shares with no par value. As at July 25, 2001, there were 30 common shares issued and outstanding, held by 30 shareholders, each of whom is either a traditional telephone company, a competitive provider of local exchange telecom services (a "Competitive Provider"), or a person who has indicated to the CRTC its intention of becoming a Competitive Provider.
4. CPCC's articles of incorporation restrict the transfer of shares without the written consent of the directors of CPCC. They also restrict the transfer of shares so as to prohibit invitations to the public to subscribe for its securities, and restrict the number of shareholders to fifty, exclusive of employees or former employees (the "Private Company Restrictions"). CPCC will amend its articles of incorporation to remove the Private Company Restrictions when this Decision comes

into effect.

5. CPCC was formed in 1997 as a result of the CRTC's Decision CRTC 97-8 dated May 1, 1997 which introduced a mechanism called "portable contribution", effective as of January 1, 1998, designed to subsidize the provision to all Canadians of affordable local exchange residential telephone service. In that decision document, the CRTC requested a working group of industry representatives supervised by the CRTC to recommend the appropriate procedures for selecting the central fund administrator and for establishing and administering the central funds. The result was the establishment of CPCC for this purpose.

6. In November 2000, the CRTC released Decision 2000-745 which orders the creation of a new national contribution mechanism based on revenues from telecommunications service providers ("TSPs") replacing the existing per-minute mechanism. Decision 2000-745 was issued pursuant to the CRTC's statutory authority under section 46.5 of the *Telecommunications Act*, R.S.C. 1993, C. T-38 to "require any telecommunications service provider to contribute, subject to any conditions that the Commission may set, to a fund to support continuing access by Canadians to basic telecommunications services". This new mechanism came into effect as of January 1, 2001 but has a transitional period for the first quarter of 2001.

7. Pursuant to Decision 2000-745:

a. The CRTC has ordered that the CPCC is to act as the body responsible for overseeing the management of the revenue based contributions;

b. The CRTC has broadened the number of TSPs that are required to contribute to the national fund ("Required Contributors"). All TSPs with at least \$10 Million in annual qualifying revenues are required by the CRTC to contribute to the national fund;

c. As well as being responsible for overseeing the collection of the required contributions from the Required Contributors, CPCC will be responsible for overseeing the distribution of the funds collected to those entities that are eligible to receive such funds in accordance with determinations of the CRTC from time to time ("Eligible Recipients").

8. A structure has been developed by the TSPs and other parties involved in an attempt to best implement Decision 2000-745. Pursuant to that structure, CPCC's articles of incorporation will be amended to create multiple classes of shares, and to remove the Private Company Restrictions, except that those restrictions which limit the transfer of shares will remain in place. Class A, B, C, D, and E common shares ("Common Shares") will be created. Each of the five different types of TSPs will be issued one of the classes of Common Shares. The attributes of each class of Common Shares will be the same except that holders of each class of Common Shares will be entitled to elect directors to represent that class of TSPs.

9. Each of the Eligible Recipients will be required to become a shareholder of CPCC a ("Shareholder") and each Required Contributor may but is not required to become a Shareholder.

Each Shareholder will be able to subscribe for only one Common Share of the applicable class at a subscription price of \$10.00 plus payment to CPCC of a one-time non-recoverable contribution of \$2,500.00. The existing common shares held by the existing Shareholders will be converted into Common Shares of the applicable class on a one-for-one basis. It is estimated that, initially, approximately 75 TSPs will be offered Common Shares.

10. Each Shareholder will be required to sign a unanimous shareholder agreement (the "Shareholders Agreement") to be approved by the CRTC. Pursuant to the Shareholders' Agreement, no sale of Common Shares of CPCC will occur to persons who are not TSPs, and a Shareholder may hold only one Common Share.

11. Pursuant to the Shareholders Agreement, CPCC will provide to each shareholder of CPCC a copy of unaudited quarterly financial statements and annual financial statements related to CPCC, notices of meetings of the board of directors of CPCC together with copies of all documents pertaining thereto. Shareholders of CPCC will have access to all books and records of CPCC on notice to CPCC.

12. CPCC will not be a reporting issuer or the equivalent in any Jurisdiction at the time the revised corporate structure becomes effective. CPCC has no present intention of becoming a reporting issuer or the equivalent in any of the Jurisdictions.

13. There is no present or future market or secondary trading anticipated for the Common Shares of CPCC in the Jurisdictions, save for the trades that would occur if shares were surrendered by TSPs to CPCC, repurchased from TSPs by CPCC, or transferred from a TSP to an affiliated TSP.

14. The Shareholders Agreement will provide that no shareholder can transfer its Common Share, by any means, at any time except with the prior unanimous consent in writing of all of the other Shareholders, provided that any Shareholder shall be permitted to grant a security interest in the Common Share held by it as part of a bona fide agreement with its lenders related to a majority of the assets of the Shareholder.

15. The Shareholders Agreement will provide that in certain instances where a Shareholder may transfer all (but not less than all) of its interests in CPCC including without limitation the Share owned by it, to any affiliate of the Shareholder (the "Transferee") including by way of corporate reorganization provided that:

a. Such Transferee satisfies the eligibility criteria applicable to the class of Common Share to be transferred; and

b. Such Transferee shall sign onto the Shareholders' Agreement, or another assumption agreement reasonably satisfactory to CPCC and the other Shareholders in form and substance providing that the Shareholder agrees to be bound by all of the terms and conditions of the Shareholders' Agreement and to assume all of the obligations of the transferor under the Shareholders' Agreement.

16. The corporate structure and operations of CPCC will at all times be subject to the general supervision of the CRTC exercising its statutory powers and responsibilities under the Telecommunications Act.

17. Exemptions from registration and prospectus requirements of the Legislation in respect of trades made in connection with Decision 2000-745, as indicated above, are not available in all Jurisdictions.

AND WHEREAS under the System, this MRRS Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides each Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the registration and prospectus requirements in the Legislation shall not apply to: (a) the issuance of Common Shares from CPCC to TSPs; (b) the surrender of Common Shares from TSPs to CPCC; (c) the repurchase of Common Shares from TSPs by CPCC; or (d) the transfer of Common Shares from a TSP to an affiliated TSP (the "Permitted Trades") provided that the first trade of Common Shares acquired pursuant to this Decision in a Jurisdiction that is not a Permitted Trade shall be deemed a distribution or primary distribution to the public under the Legislation of such Jurisdiction.

DATED this "16th" day of "August", 2001.

Paul M. Moore

R. Stephen Paddon