

Note 3: Business Acquisitions and Dispositions

The consolidated statements of operations include the results of acquired businesses from the date they were purchased.

Business Acquisitions

We made a number of business acquisitions in 2004, including:

- *Canadian operations of 360networks Corporation (360networks)* – In November 2004, Bell Canada acquired the Canadian operations of 360networks, a telecommunications service provider. The purchase included the shares of 360networks' subsidiary GT Group Telecom Services Corporation and certain related interconnected U.S. network assets. Following the purchase, Bell Canada sold the retail customer operations in Central and Eastern Canada to Call-Net Enterprises Inc. (Call-Net). For a share of the revenues, Bell Canada now provides to Call-Net network facilities and other operations and support services so Call-Net can service its new customer base. The fair value of the net assets acquired exceeded the purchase price. For accounting purposes, the excess was eliminated by:

- reducing the amounts assigned to the acquired non-monetary assets to nil
- recognizing the balance of \$69 million as an extraordinary gain in our consolidated statement of operations.

- *Our 29% proportionate share of CGI's acquisition of AGTI Consulting Services Inc. (AGTI)* – In November 2004, CGI acquired 51% of AGTI. CGI now owns 100% of AGTI. Prior to the acquisition, CGI proportionately consolidated AGTI.

- *DownEast Mobility Limited (DownEast)* – In October 2004, Aliant acquired 100% of the outstanding shares of DownEast, a communication solutions retailer.

- *Bell West* – In August 2004, Bell Canada acquired Manitoba Telecom Services Inc.'s (MTS) 40% interest in Bell West. Bell Canada now owns 100% of Bell West.

- *Infostream Technologies Inc. (Infostream)* – In May 2004, Bell Canada acquired 100% of the outstanding shares of Infostream.

- *Charon Systems Inc. (Charon)* – In May 2004, Bell Canada acquired 100% of the assets of Charon.

- *Our 29% proportionate share of CGI's acquisition of American Management Systems Incorporated (AMS)* – In May 2004, CGI acquired 100% of the outstanding common shares of AMS.

- *Elix Inc. (Elix)* – In March 2004, Bell Canada acquired 75.8% of the outstanding shares of Elix.

- *Accutel Conferencing Systems Inc. (Canada) and Accutel Conferencing Systems Corp. (U.S.) (collectively Accutel)* – In February 2004, Bell Canada acquired 100% of the outstanding shares of Accutel, which provides teleconferencing services.

During 2003, CGI acquired 100% of the outstanding common shares of Cognicase Inc. (Cognicase). It issued Class A subordinate shares to pay part of the purchase price, which reduced BCE's equity interest in CGI to 29.9% from 31.5%. BCE recognized a dilution gain of \$5 million.

Of the goodwill acquired in 2004, \$18 million was deductible for tax purposes. In 2003, none of the goodwill acquired was deductible for tax purposes.

The table on the next page provides a summary of all business acquisitions made in 2004 and 2003. The purchase price allocation for all 2004 acquisitions is based on estimates. The final purchase price allocation for each business acquisition is expected to be completed within 12 months of the acquisition date.

AGTI provides business and IT consulting, project and change management, and productivity improvement services.

Infostream is a systems and storage technology firm that provides networking solutions for voice over Internet protocol (VoIP), storage area networks and network management.

Charon is a full-service IT solutions provider that specializes in server-based computing, systems integration, IT security, software development and IT consulting.

AMS is a business and technology consulting firm to government and to the health-care, financial services and telecommunications industries.

Elix offers technology consulting, integration and implementation of call routing and management systems, IT application integration, and design and implementation of electronic voice-driven response systems.

Cognicase provides technology services, including implementing e-business solutions.