

## **MATERIAL CHANGE REPORT**

### **PURSUANT TO**

**SECTION 85(1) OF THE SECURITIES ACT (BRITISH COLUMBIA)  
SECTION 118(2) OF THE SECURITIES ACT (ALBERTA)  
SECTION 84(1) OF THE SECURITIES ACT (SASKATCHEWAN)  
SECTION 75(2) OF THE SECURITIES ACT (ONTARIO)  
SECTION 73 OF THE SECURITIES ACT (QUEBEC)  
SECTION 81(2) OF THE SECURITIES ACT (NOVA SCOTIA)  
SECTION 76(2) OF THE SECURITIES ACT (NEWFOUNDLAND)**

**ITEM 1:        REPORTING ISSUER**

Telco Split Corp (the "Company")  
Suite 2400, 40 King Street West  
Toronto, Ontario  
M5W 2X6

**ITEM 2:        DATE OF MATERIAL CHANGE**

February 28, 2000

**ITEM 3:        PRESS RELEASE**

The attached press release was issued by the Company on February 29, 2000.

**ITEM 4:        SUMMARY OF MATERIAL CHANGE**

The Board of Directors of the Company announced that it has approved a proposal to be submitted to shareholders of the Company which, if approved, will permit the Company to retain the shares of Nortel Networks Corporation ("Nortel") that the Company will receive as a result of the announcement by BCE Inc. ("BCE") on January 26, 2000 that BCE has entered into a definitive agreement to implement a plan of arrangement (the "BCE Plan") to distribute an approximate 37% interest in Nortel to shareholders of BCE.

**ITEM 5:        FULL DESCRIPTION OF MATERIAL CHANGE**

See attached press release dated February 29, 2000 which is hereby incorporated by reference.

**ITEM 6:        RELIANCE ON CONFIDENTIALITY SECTION OF THE ACT**

Not applicable.

**ITEM 7:        OMITTED INFORMATION**

Not applicable.

ITEM 8: SENIOR OFFICER - FOR FURTHER INFORMATION CONTACT:

For further information, contact Brian D. McChesney, President and Chief Executive Officer of the Company.

ITEM 9: STATEMENT OF SENIOR OFFICER

The foregoing accurately discloses the material change referred to herein.

**DATED** this 6<sup>th</sup> day of March, 2000.

**TELCO SPLIT CORP**

By: *"Brian D. McChesney"*

Brian D. McChesney

President and Chief Executive Officer

IT IS AN OFFENCE FOR A PERSON TO MAKE A STATEMENT IN A DOCUMENT REQUIRED TO BE FILED OR FURNISHED UNDER THE ACT OR THIS REGULATION THAT AT THE TIME AND IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH IT IS MADE, IS A MISREPRESENTATION.

## **PRESS RELEASE**

### **TELCO SPLIT CORP.**

TORONTO – February 29, 2000: The Board of Directors of the Company today announced that it has approved a proposal to be submitted to shareholders of the Company which, if approved, will permit the Company to retain the shares of Nortel Networks Corporation (“Nortel”) that the Company will receive as a result of the announcement by BCE Inc. (“BCE”) on January 26, 2000 that BCE has entered into a definitive agreement to implement a plan of arrangement (the “BCE Plan”) to distribute an approximate 37% interest in Nortel to shareholders of BCE.

Under the proposal, which requires 2/3 approval of the Capital Shares and Preferred Shares voting separately as a class, the Articles of the Company will be amended as follows:

- To permit the Company to retain the Nortel shares thereby preserving the Company’s current underlying asset mix;
- To provide holders of Preferred Shares with a fixed quarterly preferential dividend in an amount which will be based upon the dividends the Company would have received were the Nortel shares to be sold and the after tax proceeds from such sale used to acquire additional portfolio shares in accordance with the Company’s prospectus. The Preferred Share dividend will be funded in part by selling portfolio shares when necessary.
- To increase the redemption proceeds to which holders of Preferred Shares would be entitled in the event that Preferred Shares are redeemed by the Company without the holder’s consent in connection with the yearly special annual retraction right of holders of Capital Shares from \$25.00 to \$26.00 for September 1, 2000 and \$25.50 for September 1, 2001.

The Board has retained Deloitte & Touche Corporate Finance Canada Inc. to provide it with a fairness opinion relating to the terms of the proposal. The complete details of the proposal will be outlined in an information circular to be prepared and delivered to shareholders in connection with the shareholders meeting which will be called for and held in mid-May, 2000 following the BCE and Nortel shareholder approvals required to implement the BCE Plan. In addition to required shareholder approvals, implementation of the Company’s proposal is also subject to completion of the BCE Plan, receipt of the fairness opinion and all regulatory approvals.

The Company was created in 1997 to acquire and hold common shares of certain telecommunication companies, including BCE, in order to generate dividend income for holders of its Preferred Shares and to enable holders of its Capital Shares to participate in any capital appreciation in the common shares of the telecommunication companies owned by the Company. As a shareholder of BCE, the Company will receive, and become the direct owner of, shares of Nortel, if the BCE Plan is implemented.

For further information contact:      Investor Relations  
Telco Split Corp.  
(416) 862-5842