

ICDAC

*Independent Communications Dealer Association of Canada Inc.
L'Association canadienne des dépositaires indépendants en communications inc.*

STATEMENT TO A NEWS CONFERENCE

By

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Queen Elizabeth Hotel, Montreal QC

Full Text in English

(Actual Delivery in Alternating English and French)

Please note: portions of text in italics will be delivered at the news conference in French only. Portions not in italics will be delivered either in both languages consecutively, or in English only.

Good afternoon, ladies and gentlemen, and thank you for joining us here today.

As you may be aware by now, at 9:00 this morning, our legal representatives, Lavery de Billy of Montreal, formally filed suit in the Superior Court of Quebec, District of Montreal, on behalf of the majority of our member dealers, against Bell. Our suit claims damages in excess of \$135 million dollars.

If you have not seen the motion that was filed this morning, we have copies available for you at the conclusion of this news conference.

We are suing Bell for what we consider their deliberate pursuit of unfair and abusive business practices in their relations with us, their independent dealers. This has not only resulted in the loss of a significant business opportunity for us as business operators, and more than 1,000 of our employees, but also for hundreds of thousands of present and future customers of Bell products and services, for Bell Canada itself and its thousands of shareholders.

Here's the story, as briefly as I can put it to you...

There are three organizations that I will refer to...

BDI, which stands for Bell Distribution Inc., the division of Bell which manages its retail operations under the names of Bell World, Espace Bell, Bell Mobility and Bell Mobilité.

ICDAC, which is our association of independent owners.

And finally, there is WDIF, which is short for Wireless Distribution Income Fund. This is the preliminary name of what was to be a publicly-traded income trust, which was proposed to be formed through the purchase of the Bell branded stores, by a strong group of independent third party capital investors, who have extensive income trust and wireless distribution experience.

You've been provided with a brief sequence of events, but let me take you through it verbally.

In February 2005, an offer was made by WDIF to purchase the independently-owned stores in Quebec and Ontario.

BDI indicated that it would oppose the ICDAC members from accepting the offer independently. A

few days later, however, the independent Dealers indicated to BDI that they wished to accept the offer to transfer their stores to WDIF, and formally requested BDI's reasonable consent to the transaction.

I should explain that the agreement between BDI and the independent Dealers has always contained clauses that state that BDI would "reasonably consent" to the sale of any independent store, but that BDI also has a right of first refusal in such scenario. That is, if a store was offered X dollars by a third party, BDI could either match that price and buy the store, or pass on the purchase but allow the sale to go ahead unless there were significant business reasons not to – primarily, the clear unsuitability of the new operator.

On that principle, the independent Dealers believed that BDI would consent to the transaction with WDIF. And I should make it clear that in the proposed agreement with WDIF, all the owners would be continuing to manage all their stores after the sale, for a reasonable period of time – so there would be no question of unsuitability of operators, since it would be the same people. So we are simply referring to a transfer of ownership of these businesses, not a departure of current management.

Nonetheless, Bell Distribution informed the independent Dealers that they refused to consent to

the Deal, citing six reasons for their decision. Aside from refusal to consent, BDI also made no offer to match the purchase offers extended by WDIF to the independent Dealers.

The BDI refusal to consent to the Deal effectively meant that these independent entrepreneurs were no longer able to control their own destiny, contrary to their understanding of the relationship, and contrary to their personal business objectives.

Intense discussions were then held between the independent Dealers and BDI, and voilà... within a month or so, BDI changed its position! All of a sudden, by April, the WDIF proposal looked pretty good to Bell, and they even started looking at rolling their corporate stores into the Income Trust as well.

Indeed, after several more weeks of study, in July, BDI confirmed that it was prepared to go ahead, and allow the independent stores to be transferred to WDIF, as well as its corporate stores. They clearly now saw the wisdom in the proposal, and their initial six concerns were never heard again.

Well, unfortunately, big corporations like Bell often move very slowly. So despite continual assurances from BDI that everything was on track, the process of

obtaining Bell's ultimate green light was agonizingly slow over the summer.

Then came September, and most of you will remember that in the middle of that month, the federal government imposed a freeze on the development of new income trusts. But when this was lifted in November 2005, the independent Dealers were eager to finalize the deal with BDI and with WDIF.

But to our complete surprise, our enthusiasm was now met with a "hold on, not so fast" response from BDI. Almost two more months of painfully slow deliberations followed... but, with reassurances along the way from Bell that all was in order.

Then, on January 18, 2006 - after ten months of proceeding in the right direction - BDI informed ICDAC and WDIF that it would *not* participate in the transaction to form an income trust, and would not consent to the independent dealers doing so on their own. There was also no mention of BDI exercising their right of first refusal and offering to purchase the stores themselves at the same value offered by WDIF.

You can imagine, ladies and gentlemen, that for us, after months of moving slowly but progressively

forward with our plans, this was like being hit over the head with a telephone pole.

How could Bell, we wondered, not see the wisdom of this income trust opportunity... especially when, at this same time, Bell Canada Enterprises was announcing the first stage of a new rural landline income trust. And subsequent to that, Bell has also announced the purchase of Aliant in the Maritimes and the transfer of that business into... yes, an income trust!

In our case, with this surprise decision not to proceed, it became clear to us that not only was Bell completely blocking our right to determine the future of our independently capitalized and developed businesses... but they were also restricting us from ever selling our stores to anyone other than Bell, at a price that only Bell would dictate!

Ironically, shortly after the BDI decision, on February 2nd, in a newspaper interview, Bell Canada CEO Michael Sabia stated that the company's strategy going forward will be to "unlock value for shareholders, and to focus Bell on its core business of telecommunications."

Well, back here in the world of Bell retail, we're completely locked up, and we seem to be out of that

focus. We're back to square one. In fact, it's worse than square one.

The fact that BDI wasted well over a year of our time, our concerted efforts, thousands and thousands of dollars of legal and consulting fees – not to mention the toll on our emotions – is, frankly, reprehensible and unprofessional.

But far more importantly, Bell has lost a major opportunity that would have benefited every stakeholder involved – including current and future consumers of Bell products and services.

The income trust would have provided...

- greater investment capital to improve management and operating systems
- better cohesion within the network, resulting in better customer service
- more efficient and more cost-effective marketing
- better job security and training for retail employees
- and above all, better value for those with a financial stake in the new entity...
 - including the independent dealers who have invested their lives and their livelihoods in making Bell's retail operations a success...
 - and, Bell shareholders who expect company management to maximize their profit potential,

while operating in an ethical and professional manner.

Our lawsuit against Bell, filed today, makes a claim of approximately \$135,000,000. This figure is a minimum value, and is based on the difference between the multiple on earnings that WDIF had offered to pay for each store, and the multiple that we understand that BDI would pay.

I will conclude by saying that we are angry about the time Bell has wasted, and the money this has cost us.

We are appalled at the lack of vision of their decision.

We are shocked by the unfair position that they are taking with respect to our ability to achieve full value for our investment.

To make it simple, we are confident of our position, and we are determined to win this lawsuit.

Thank you.