

IN THE MATTER OF THE SECURITIES LEGISLATION OF ONTARIO,  
BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA,  
NOVA SCOTIA, QUEBEC AND NEWFOUNDLAND

AND

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

AND

IN THE MATTER OF  
BRITISH TELECOMMUNICATIONS PLC,  
mmO2 plc AND BT GROUP PLC

MRRS DECISION DOCUMENT

**WHEREAS** the local securities regulatory authority or regulator (the "Decision Makers") in each of Ontario, British Columbia, Saskatchewan, Manitoba, Quebec, Nova Scotia and Newfoundland (the "Jurisdictions") have received an application from mmO2 plc ("mmO2") and BT Group plc ("BT Group") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

- (a) the requirement contained in the Legislation to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus Requirement") and the requirement to register to trade in a security (the "Registration Requirement") shall not apply to the issuance of the mmO2 Shares, mmO2 ADRs, BT Group Shares and BT Group ADRs (each as defined below);
- (b) the requirements contained in the Legislation to issue a press release and file a report upon the occurrence of a material change, to file and deliver audited annual financial statements and annual reports, where applicable, and unaudited interim financial statements, and to comply with the proxy and proxy solicitation requirements, including filing an information circular or report in lieu thereof (collectively, the "Continuous Disclosure Requirements") shall not apply to mmO2;
- (c) the requirement contained in Ontario Securities Commission Rule 51-501 - *AIF and MD&A* and section 159 of the Regulation to the *Securities Act* (Quebec), to file with the applicable Decision Makers an annual information form and management discussion and analysis thereon (the "Local AIF and MD&A Requirements") shall not apply to mmO2; and
- (d) the requirement contained in the Legislation for an insider of a reporting issuer to file reports disclosing the insider's direct or indirect beneficial ownership of, or

control or direction over, securities of the reporting issuer or the equivalent (the "Insider Reporting Requirements") shall not apply to insiders of mmO2;

**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 UPON** mmO2 AND BT GROUP having represented to the Decision Makers as follows:

1. BT is a company which was incorporated and registered in England and Wales on April 1, 1984 under the Companies Acts 1948 to 1981. BT's ordinary shares (the "BT Shares") are currently listed on the London Stock Exchange (the "LSE") under the symbol "BT". BT Group was incorporated and registered in England and Wales under the Companies Act, 1985 (the "Act") on March 30, 2001 as Newgate Telecommunications Limited and reregistered as a public company on September 11, 2001. mmO2 was incorporated and registered in England and Wales under the Act on March 30, 2001 as Newgate Wireless Limited and reregistered as a public company on September 12, 2001.

2. BT is currently a reporting issuer under the securities legislation of the Provinces of Ontario, Quebec, British Columbia and Nova Scotia. Pursuant to orders granted in 1996 BT was granted relief from the Continuous Disclosure Requirements on terms substantially similar to the relief sought in this application by orders of the Decision Makers and insiders of BT were granted relief from the Insider Trading Requirements pursuant to certain orders or blanket orders of the Decision Makers. mmO2 and BT Group are not currently reporting issuers under the Legislation.

3. BT is one of the leading providers of telecommunications services. Based on the market price of BT on August 31, 2001, BT's market capitalization is approximately 36.3 billion.

4. As of August 31, 2001, there were 8,596,818,408 BT Shares issued and outstanding. Certain of BT's Shares are held as American Depositary Shares. Each American Depositary Share represents 10 BT Shares and is evidenced by an American Depositary Receipt (the "BT ADRs"). The BT ADRs are currently listed on the New York Stock Exchange (the "NYSE"). Each holder of BT Shares and BT ADRs is a BT Shareholder.

5. There are approximately 1,140 BT Shareholders resident in Canada. The BT Shareholders resident in Canada hold approximately 606,222 shares representing approximately 0.01% of the BT Shares. Of the BT Shareholders resident in Canada, there are approximately 616 resident in Ontario, 261 resident in British Columbia, 9 resident in Saskatchewan, 16 resident in Manitoba, 66 resident in Quebec, 22 resident in Nova Scotia and 16 resident in Newfoundland.

6. BT is proposing to "demerge" or spin-out its wireless business by incorporating two new publicly-listed holding companies. One of the new holding companies, mmO2, will acquire all of the issued and outstanding shares of BT by way of plan of arrangement (the "Plan of Arrangement"). The trades occurring pursuant to the Plan of Arrangement are statutorily exempt from the prospectus and registration requirements in each of the Jurisdictions except Quebec. After the Plan of Arrangement has been completed, by a series of transactions set out below, the BT business without the wireless business will be transferred to the other newly-incorporated

holding company, BT Group (the "Demerger").

7. Pursuant to the Plan of Arrangement, BT Shareholders' BT Shares and BT ADRs will be exchanged for ordinary shares of mmO2 (the "mmO2 Shares") and American Depositary Receipts of mmO2 (the "mmO2 ADRs"), on a one-for-one basis. An application will be made for a meeting to be convened by the High Court of Justice in England and Wales to enable each BT Shareholder to consider and, if thought fit, approve the Plan of Arrangement. The resolution must be approved by the majority in number of the BT Shareholders representing not less than three-fourths of the nominal value of the BT Shares held by such shareholders. In addition, an extraordinary general meeting of BT will be convened for the BT Shareholders to approve the Plan of Arrangement and Demerger and other matters relating to the Demerger.

8. A circular describing the Plan of Arrangement of mmO2 (the "BT Scheme Document") and forms of proxy will be sent to every BT Shareholder. The BT Scheme Document has been prepared in accordance with the Act and provides, among other things, the following:

- (a) general descriptions of BT's, BT Group's and mmO2's business;
- (b) financial information on the wireless business and pro forma financials for mmO2;
- (c) the interests of the BT directors and the effect of the Plan of Arrangement on their interests; and
- (d) the conditions for the implementation of both the Plan of Arrangement and Demerger.

9. The Plan of Arrangement is conditional, inter alia, upon the following:

- (a) approval of a majority of BT Shareholders who represent not less than three-fourths of the nominal value of the BT Shares voting at a meeting convened by the High Court of Justice in England and Wales to approve the Plan of Arrangement;
- (b) the passing of a special resolution of BT Shareholders at an extraordinary general meeting;
- (c) BT receiving confirmations from the relevant third parties and regulatory authorities in respect of the proposed restructuring of BT;
- (d) admission of the mmO2 Shares to the Official List and to trading on the LSE; and
- (e) sanction of the Plan of Arrangement and any reduction of capital by the High Court of Justice in England and Wales.

The proposed court convened meeting and extraordinary general meeting of the BT Shareholders are scheduled for October 23, 2001 and, if all of the conditions are met, it is expected that the Plan of Arrangement will be effective on November 16, 2001. On the effective date, the BT Shares and BT ADRs will be cancelled.

10. Pursuant to the Demerger, BT Group will issue one ordinary share of BT Group (a "BT Group Share") (or one American Depositary Receipt (a "BT Group ADR")) to mmO2 shareholders (or mmO2 ADR holders) at the Demerger record time on a one-for-one basis. The Demerger will be effected as follows:

(a) after the Plan of Arrangement has become effective, BT will transfer O2 Limited, a wholly-owned subsidiary which is currently the holding company of the mmO2 business, to mmO2 for consideration equal to its book value as shown in the accounts of BT, with such amount left outstanding as an inter-company debt;

(b) BT will pay a dividend to mmO2 of an amount equal to the aggregate of the book value of BT as shown in the accounts of mmO2 and the expenses reasonably expected to be incurred by mmO2 in connection with the Demerger and Plan of Arrangement;

(c) mmO2 will transfer BT to a wholly-owned subsidiary, Subco, for a combination of inter-company debt and shares;

(d) the debt owed by mmO2 to BT described in paragraph (a) above will be assumed by Subco (in substitution for mmO2) in consideration for the discharge of the debt owed by Subco to mmO2 described in paragraph (c) above; and

(e) mmO2 will declare a dividend of an amount equal to the book value of its shareholding in Subco which will be satisfied by the issue by BT Group of BT Group Shares, credited as fully paid, to mmO2 shareholders on the basis set out above, in consideration of the transfer of Subco (together with its wholly-owned subsidiary BT) to BT Group.

11. The following procedural steps, inter alia, must be taken in order for the Demerger to become effective:

(a) the Plan of Arrangement becoming effective;

(b) the passing of an ordinary resolution of the BT Shareholders at the extraordinary general meeting;

(c) the board of directors of mmO2 resolving, following the Plan of Arrangement becoming effective, that the Demerger is in the best interests of BT;

(d) BT receiving confirmations from the relevant third parties and regulatory authorities in respect of the Demerger; and

(e) admission of the BT Group Shares to the Official List and to trading on the LSE.

If all of the conditions of the Plan of Arrangement and Demerger are met, they will become effective. It is currently anticipated that listing of the BT Group Shares, BT Group ADRs, mmO2 Shares and mmO2 ADRs will become effective, and that dealings will commence, on November 19, 2001.

12. Summary listing particulars of mmO2 and a question and answer leaflet will also be provided to each BT Shareholder. The listing particulars will be prepared in accordance with the listing rules of the Financial Services Authority pursuant to the Financial Services Act 1986. The summary listing particulars will contain a description of mmO2, the Plan of Arrangement and the Demerger. Full listing particulars for both mmO2 and BT Group, which will be prepared in accordance with the rules of the LSE, will be posted on BT's website and available for shareholders to review.

13. Generally, the purpose of the BT Scheme Document, the question and answer leaflet and the summary listing particulars is to provide sufficient information to BT Shareholders entitled to vote at the meetings to allow them to make an informed decision as to whether to vote in favour of or against the Plan of Arrangement and Demerger.

14. An application will be made for admission to the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange of the ordinary shares of each of mmO2 and BT Group. A supplemental listing application will be made to list the mmO2 ADRs and BT Group ADRs on the New York Stock Exchange (the "NYSE"). Each of mmO2 and BT Group will be subject to the reporting requirements of the United States Securities Exchange Act of 1934 (the "1934 Act").

15. Every BT Shareholder resident in Canada holding BT Group Shares, BT Group ADRs, mmO2 Shares and mmO2 ADRs after the Plan of Arrangement and Demerger will receive all continuous disclosure documents (including proxy solicitation materials) required to be sent to holders resident in England and Wales in the case of BT Group Shares and Shares and resident in the United States in the case of mmO2 ADRs and BT Group ADRs pursuant to the laws, rules and regulations of England and Wales or the United States, as applicable, and applicable stock exchange rules.

16. There is a *de minimus* number of BT Shareholders in Canada and therefore there will be, upon implementation of the Plan of Arrangement and Demerger, a *de minimus* number of BT Group and mmO2 shareholders in Canada.

17. Upon implementation of the Plan of Arrangement and Demerger, mmO2 will as a result of the definition of "reporting issuer" under the Legislation in Ontario, British Columbia, Quebec and Nova Scotia be deemed to be a reporting issuer in such jurisdictions and BT Group may be

deemed to be a reporting issuer in British Columbia and Quebec and will be deemed a reporting issuer in Nova Scotia. The Jurisdictions in which mmO2 and/or BT Group will or may be reporting issuers are referred to herein as the "Reporting Jurisdictions".

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

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

**THE DECISION** of the Decision Makers under the Legislation is that:

1. The Prospectus Requirements and the Registration Requirements shall not apply to the issuance of the mmO2 Shares, mmO2 ADRs, BT Group Shares and BT Group ADRs in the Jurisdictions provided that the first trade in such securities shall be deemed a distribution or a primary distribution to the public under the Legislation unless:

(a) in a Jurisdiction in which BT Group or mmO2 is not a reporting issuer or the equivalent at the time of such first trade, such first trade is executed through the facilities of a stock exchange or market outside of Canada and such first trade is made in accordance with the rules of the stock exchange or market upon which the first trade is made and in accordance with all laws applicable to such stock exchange or market; and

(b) in the Reporting Jurisdictions:

(i) no unusual effort is made to prepare the market or to create a demand for such shares;

(ii) if the seller of the shares is an insider or officer of BT Group or mmO2, as applicable, the seller has no reasonable grounds to believe that BT Group or mmO2, as applicable is in default of any requirements of the applicable Legislation in such Jurisdiction; and

(iii) except in Quebec, the first trade is not a distribution from the holdings of a person or company or a combination of persons or companies holding a sufficient number of any securities of BT Group or mmO2, as applicable so as to affect materially the control of BT Group or mmO2, as applicable, or more than 20% of the outstanding voting securities of BT Group or mmO2, as applicable except where there is evidence showing that the holding of these securities does not affect materially the control of BT Group or, as applicable.

2. The Continuous Disclosure Requirements in the Reporting Jurisdictions shall not apply to mmO2 provided that:

(a) mmO2 complies with paragraph 15 of this Decision;

(b) mmO2 files with the relevant Decision Makers in the Reporting Jurisdictions copies of all documents filed by mmO2 with the United States Securities and Exchange Commission (the "SEC") under the 1934 Act;

(c) mmO2 complies with the requirements of the LSE or NYSE in respect of making public disclosure of material information on a timely basis and forthwith issues in the Jurisdictions and files with the relevant Decision Makers in the Reporting Jurisdictions any such press release that discloses a material change in the affairs of mmO2; and

(d) mmO2 files with the Decision Makers in the relevant Reporting Jurisdictions copies of any proxy solicitation materials delivered to holders of Shares or ADRs of mmO2.

3. The Insider Reporting Requirements in the relevant Reporting Jurisdictions shall not apply to insiders of mmO2 provided that such insiders file with the SEC on a timely basis the reports, if any, required to be filed with the SEC pursuant to s.16 of the 1934 Act and rules and regulations thereunder.

**DATED** November 2nd, 2001.

Paul M. Moore

Stephen N. Adams

AND THE FURTHER DECISION of the Decision Makers in each of Ontario and Quebec is that the Local AIF and MD&A Requirements shall not apply to mmO2 provided that the conditions set out in paragraph 2 of the operative portion of the Decision are complied with.

**DATED** November 2nd, 2001.

Margo Paul

Headnote

MRRS - relief granted, subject to certain conditions, from the prospectus and registration requirements in respect of trades in connection with a spin-out or "demerger" transaction where the "good faith reorganization exemption" and the "stock dividend exemption" are not available for technical, subject to certain conditions, in connection with a spin-out or "demerger" transaction where the existing exemptions are not available due to technical reasons - Relief granted to one of the resulting reporting issuers from certain continuous disclosure and insider reporting requirements subject to certain conditions.

Applicable Ontario Columbia Provisions

Rule 45-501 - *Exempt Distributions*

Rule 51-501 - *AIF and MD&A*

Rule 72-501 - *Prospectus Exemption for the First Trade over a Market outside Ontario*