

This Directors' Circular is important and requires your immediate attention. If you are in doubt as to how to respond to the Offer described in this Directors' Circular, please consult your investment dealer, broker, lawyer or other professional advisor.



DIRECTORS' CIRCULAR

RECOMMENDING

ACCEPTANCE

OF THE OFFER BY

BCE INC.

TO EXCHANGE ALL OF THE ISSUED AND OUTSTANDING SERIES A PREFERRED SHARES, SERIES C PREFERRED SHARES AND SERIES E PREFERRED SHARES OF

BELL ALIANT PREFERRED EQUITY INC.

on the basis of (a) one BCE Inc. Series AM Preferred Share for each Series A Preferred Share; (b) one BCE Inc. Series AO Preferred Share for each Series C Preferred Share; and (c) one BCE Inc. Series AQ Preferred Share for each Series E Preferred Share

**THE BOARD OF DIRECTORS EXCLUDING INTERESTED DIRECTORS
UNANIMOUSLY RECOMMENDS
THAT PREFERRED SHAREHOLDERS ACCEPT THE OFFER
AND DEPOSIT THEIR SHARES TO THE OFFER**

August 14, 2014

Notice to Shareholders in the United States

This Directors' Circular has been prepared by Prefco in accordance with disclosure requirements under applicable Canadian law. Non-resident Shareholders should be aware that these requirements may be different from those of the United States or other jurisdictions. The enforcement by investors of civil liabilities under securities laws of jurisdictions outside Canada may be adversely affected by the fact that Prefco is organized under the laws of Canada, that a majority of its officers and directors are residents of Canada, that some or all of the experts named in this Directors' Circular are residents of Canada, and that a significant portion of the assets of Prefco are located in Canada. Shareholders in the United States may not be able to sue Prefco or its officers or directors in a foreign court for violation of United States securities laws. It may be difficult to compel such parties to subject themselves to the jurisdiction of a court in the United States or to enforce judgment obtained from a court of the United States.

GENERAL INFORMATION

Glossary

Certain capitalized terms used in this Directors' Circular that are not otherwise defined have their respective meanings set out in the "Glossary".

Currency

All dollar amounts in this Directors' Circular are in Canadian dollars unless otherwise indicated.

Notice Regarding Information

Certain information in this Directors' Circular has been taken from or is based on documents that are expressly referred to in this Directors' Circular. All summaries of, and references to, documents that are specified in this Directors' Circular as having been filed, or that are contained in documents specified as having been filed, on SEDAR are qualified in their entirety by reference to the complete text of those documents as filed, or as contained in documents filed, under Prefco's profile at www.sedar.com. Shareholders are urged to read carefully the full text of those documents, which may also be obtained on request without charge from the Corporate Secretary of Prefco at 7 South Maritime Centre, 1505 Barrington Street, Halifax, Nova Scotia, B3J 3K5.

Information contained in this Directors' Circular concerning the Offeror and the Offer is based solely upon, and the Prefco Board has relied, without independent verification, exclusively upon, information contained in the Offer and Circular, provided to Prefco by the Offeror, or that is otherwise publicly available. While the Prefco Board has no reason to believe that such information is inaccurate or incomplete, the Prefco Board does not assume any responsibility for the accuracy or completeness of the Offer and Circular or any such information contained therein, or information provided to Prefco by the Offeror, or that was obtained from publicly available sources. You are urged to read the Offer and Circular carefully and in its entirety. The Offer and Circular is available under Prefco's profile at www.sedar.com.

Information contained in this Directors' Circular is given as of August 7, 2014, unless otherwise specifically stated.

Forward-Looking Information

This Directors' Circular contains forward-looking information related to the Bell Aliant Group, including anticipated future events and circumstances, including in particular, but not limited to, statements relating to the Offers, including satisfaction of the conditions to the Offers, the expected timing of the Offers and certain strategic and financial benefits expected to result from the completion of the proposed acquisition by the Offeror of all of the outstanding Common Shares and the proposed exchange of the outstanding Preferred Shares for Offeror Preferred Shares. Forward-looking information is provided to assist the reader with understanding the Bell Aliant Group's expectations, plans and priorities for future periods or with respect to applicable events. Readers are cautioned that such information may not be appropriate for other purposes. This information is based on the estimates, beliefs and assumptions of the directors and management of the Bell Aliant Group regarding the markets in which the Bell Aliant Group operates. In some cases, forward-looking information may be identified by words such as "anticipate", "believe", "could", "expect", "plan", "seek", "may", "intend", "will", "forecast" and similar expressions.

This information is subject to important risks and uncertainties, which are difficult to predict, and assumptions, which may prove to be inaccurate. The most significant risk factors that we have identified which could cause actual events to differ materially from current expectations include, but are not limited to, failure to satisfy the conditions to the Offers, including as a result of the failure to obtain the necessary regulatory approvals or to otherwise satisfy the conditions of completing the Offers as described in the Offer and Circular and the Common Share Offer and Circular, respectively. In particular, the completion of the exchange of the outstanding Preferred Shares for Offeror Preferred Shares pursuant to the Offer is conditional upon the successful completion of the acquisition by the Offeror of all of the outstanding Common Shares pursuant to the Common Share Offer. Some of these risk factors are largely beyond the control of the Bell Aliant Group. This information assumes that the Offers will occur on the terms and conditions contemplated in the Support Agreement. The Offers could be modified, restructured or terminated.

Should any risk factor affect the Bell Aliant Group in an unexpected manner, or should assumptions underlying the forward-looking information prove incorrect, the actual results or events may differ materially from the results or events predicted. Unless otherwise indicated, forward-looking information does not take into account the effect that transactions announced or occurring after this information is provided may have on the business of the Bell Aliant Group. All of the forward-looking information reflected in this document and the documents referred to within it are qualified by these cautionary statements. There can be no assurance that the results or developments anticipated by the Bell Aliant Group will be realized or, even if substantially realized, that they will have the expected consequences for the Common Shareholders, the Preferred Shareholders or the Bell Aliant Group (including that the proposed acquisition by the Offeror of all of the outstanding Common Shares and the proposed exchange of the outstanding Preferred Shares for Offeror Preferred Shares will occur, or that such transactions will occur on the terms and conditions contemplated in the Support Agreement).

Except as may be required by Canadian Securities Laws, each of Bell Aliant, Bell Aliant GP and Prefco disclaims any intention and assumes no obligation to update or revise any forward-looking information, even if new information becomes available, as a result of future events or for any other reason. Readers should not place undue reliance on any forward-looking information.

For additional information on assumptions used to develop forward-looking information and risk factors that could cause actual results to differ materially from forward-looking information, refer to the “Risks that could affect our business and results” section of Bell Aliant’s MD&A for the year ended December 31, 2013, and the “Risks that could affect our business and results” section of Bell Aliant GP’s MD&A for the year ended December 31, 2013, which are available at www.bellaliant.ca as well as www.sedar.com.

Availability of Disclosure Documents

Prefco is a reporting issuer or the equivalent in all of the provinces of Canada and files its continuous disclosure documents with the Securities Regulatory Authorities in those provinces. Such documents are available under Prefco’s profile at www.sedar.com.

TABLE OF CONTENTS

DIRECTORS' CIRCULAR	1
THE COMMON SHARE OFFER	1
RECOMMENDATION OF THE BOARD OF DIRECTORS	1
REASONS FOR RECOMMENDATION OF THE BOARD OF DIRECTORS	2
BELL ALIANT PREFERRED EQUITY INC.	3
BCE INC.	3
BACKGROUND TO THE OFFER	4
SUMMARY OF THE FAIRNESS OPINION	6
AGREEMENTS WITH THE OFFEROR	7
OWNERSHIP OF SECURITIES OF PREFCO	13
TRADING IN SECURITIES OF PREFCO	13
ISSUANCES OF SECURITIES OF PREFCO	13
OWNERSHIP OF SECURITIES OF THE OFFEROR	14
INTENTIONS WITH RESPECT TO THE OFFER	15
ARRANGEMENTS BETWEEN PREFCO AND ITS DIRECTORS AND OFFICERS	15
RELATIONSHIP BETWEEN THE OFFEROR AND DIRECTORS AND OFFICERS	15
ARRANGEMENTS BETWEEN THE OFFEROR AND SECURITY HOLDERS OF PREFCO	15
INTERESTS OF DIRECTORS AND OFFICERS IN MATERIAL TRANSACTIONS WITH THE OFFEROR OR BELL ALIANT	16
MATERIAL CHANGES AND OTHER INFORMATION CONCERNING PREFCO	16
RESPONSE OF PREFCO	16
OTHER INFORMATION	16
LEGAL MATTERS	16
CONTRACTUAL RIGHTS	16
APPROVAL OF THIS DIRECTORS' CIRCULAR	16
GLOSSARY	17
CONSENT OF SCOTIA CAPITAL INC.	25
CERTIFICATE	26
APPENDIX "A" FAIRNESS OPINION OF SCOTIA CAPITAL INC.	A-1

DIRECTORS' CIRCULAR

This Directors' Circular dated August 14, 2014 is issued by the Prefco Board in connection with the Offer made by BCE Inc. (the "**Offeror**") to exchange all of the outstanding Preferred Shares for newly issued Offeror Preferred Shares, upon the terms and subject to the conditions of the Offer set forth in the Offeror's offer and take-over bid circular dated August 14, 2014 (the "**Offer and Circular**"). The Offer is being made pursuant to the terms and conditions of the Support Agreement, which is available under Prefco's profile at www.sedar.com. As provided in the Support Agreement, the Offer is being treated, for all intents and purposes, as a formal take-over bid under applicable Securities Laws. The completion of the exchange of the outstanding Preferred Shares for Offeror Preferred Shares pursuant to the Offer is conditional upon, among other things, the successful completion of the Common Share Offer. See "The Common Share Offer" and "Agreements with the Offeror – Support Agreement – Completion of Common Share Offer".

Under the Offer, each Preferred Shareholder will be entitled to receive: (a) for each Series A Preferred Share held by such Preferred Shareholder, an Offeror Series AM Preferred Share; (b) for each Series C Preferred Share held by such Preferred Shareholder, an Offeror Series AO Preferred Share; and (c) for each Series E Preferred Share held by such Preferred Shareholder, an Offeror Series AQ Preferred Share.

THE COMMON SHARE OFFER

Concurrently with the Offer, the Offeror has made the Common Share Offer upon the terms and subject to the conditions of the Common Share Offer set forth in the Offeror's take-over bid circular dated August 14, 2014 (the "**Common Share Offer and Circular**"). The Common Share Offer is being made pursuant to the terms and conditions of the Support Agreement, which is available under Bell Aliant's profile at www.sedar.com. The completion of the acquisition by the Offeror of Common Shares pursuant to the Common Share Offer is not conditional on the successful completion of the exchange of the outstanding Preferred Shares for Offeror Preferred Shares pursuant to the Offer.

A director's circular dated August 14, 2014 (the "**Common Share Directors' Circular**") has been issued by the Bell Aliant Board in connection with the Common Share Offer. The Common Share Offer and Circular and the Common Share Directors' Circular are available under Bell Aliant's profile at www.sedar.com.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The Prefco Special Committee, after review and evaluation of the Offer and the Support Agreement, consultation with its legal advisors and Scotia and based, among other things, upon receipt of the Fairness Opinion, recommended to the Prefco Board that the Prefco Board determine that the consideration to be received under the Offer is fair, from a financial point of view, to the Preferred Shareholders, that it is in the best interests of Prefco to support and facilitate the Offer and enter into the Support Agreement and recommend that Preferred Shareholders accept the Offer and deposit their Preferred Shares to the Offer.

The Prefco Board (with the exception of the Interested Directors), upon the unanimous recommendation of the Prefco Special Committee made after consultation with its legal advisors and Scotia, and the receipt of a report of the Prefco Special Committee based on, among other things, the Fairness Opinion, and based upon its review and evaluation of the Offer on the terms set forth in the Support Agreement, has unanimously determined that the consideration to be received under the Offer is fair, from a financial point of view, to the Preferred Shareholders, that it is in the best interests of Prefco to support and facilitate the Offer and enter into the Support Agreement and recommend that Preferred Shareholders accept the Offer and deposit their Preferred Shares to the Offer.

<p>The Prefco Board (excluding the Interested Directors) therefore unanimously recommends that Preferred Shareholders <u>ACCEPT</u> the Offer and <u>DEPOSIT</u> their Preferred Shares to the Offer.</p>
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REASONS FOR RECOMMENDATION OF THE BOARD OF DIRECTORS

The Prefco Board has reviewed and considered the Offer with the benefit of the recommendation of the Prefco Special Committee, and advice from Scotia and its legal advisors. The following is a summary of the principal reasons for the unanimous recommendation of the Prefco Board (excluding the Interested Directors) that Preferred Shareholders **ACCEPT** the Offer and **DEPOSIT** their Preferred Shares to the Offer:

- *Same Financial Terms.* Under the Offer, Preferred Shareholders who tender their Preferred Shares will receive Offeror Preferred Shares having financial terms that are the same as those attached to the Preferred Shares for which they are being exchanged. The financial terms of the Offeror Converted Preferred Shares into which the Offeror Preferred Shares may be converted will also be the same as those attached to the Converted Preferred Shares into which the Preferred Shares may be converted.
- *Better Credit Profile.* Following the completion of the Offer, existing Preferred Shareholders will benefit from the Offeror's superior size, business diversification and financial strength. The Offeror has received from each of DBRS and S&P provisional ratings for the Offeror Preferred Shares to be issued under the Offer that are one ranking higher, in each case, than the existing ratings for the Preferred Shares.
- *Unanimous Special Committee and Board Recommendation.* The Prefco Special Committee, following consultation with Scotia and its legal advisors, has unanimously: (a) determined that the consideration to be received under the Offer is fair, from a financial point of view, to the Preferred Shareholders, and (b) recommended the entering into of the Support Agreement and recommended that the Prefco Board recommend that Preferred Shareholders accept the Offer. The Prefco Board (with the exception of the Interested Directors), upon the recommendation of the Prefco Special Committee, has unanimously: (a) determined that the consideration to be received under the Offer is fair, from a financial point of view, to the Preferred Shareholders, and (b) approved the entering into of the Support Agreement and the making of the unanimous recommendation that Preferred Shareholders accept the Offer.
- *Fairness Opinion.* The Prefco Special Committee engaged Scotia to provide the Fairness Opinion in connection with the Offer. Based upon the assumptions, limitations and qualifications set forth in the Fairness Opinion, Scotia was of the opinion that, as of July 22, 2014, the consideration to be received pursuant to the Offer is fair, from a financial point of view, to the Preferred Shareholders. A copy of the Fairness Opinion is appended hereto as Appendix "A". Preferred Shareholders should read the Fairness Opinion in its entirety.
- *Continued Entitlement to Dividends.* Completion of the Offer will not affect the amount or timing of dividends. Any dividends declared by the Prefco Board for payment to Preferred Shareholders of record on a date prior to the date upon which such Preferred Shares are exchanged for Offeror Preferred Shares will be paid on the payable date to all Preferred Shareholders of record on the record date for the dividend, notwithstanding the exchange of such Preferred Shares.
- *Opportunity to Defer Canadian Taxation on Capital Gains.* Taxable Canadian Preferred Shareholders who tender their Preferred Shares to the Offer will generally be entitled to a rollover to defer Canadian taxation on any capital gains in respect of such shares, as described further under the heading "Certain Canadian Federal Income Tax Considerations" in the Offer and Circular.
- *Greater Liquidity.* The Offeror already has 16 series of outstanding first preferred shares, consisting of an aggregate of 135,000,000 shares, listed on the TSX. It is expected that the Offeror Preferred Shares will benefit from increased liquidity relative to the Preferred Shares.
- *Support Agreement.* On July 23, 2014, the Offeror, Prefco and Bell Aliant entered into the Support Agreement pursuant to which the Parties agreed, among other things, to make the Offer and Prefco agreed to support the Offer, upon and subject to the terms and conditions of the Support Agreement. See "Agreements with the Offeror – Support Agreement".

The foregoing summary of the information and factors considered by the Prefco Board is not intended to be exhaustive of the factors considered by the Prefco Board in reaching its conclusion and making its recommendation, but includes the material information, factors and analysis considered by the Prefco Board in reaching its conclusion and recommendation. The Prefco Board evaluated the various factors summarized above in light of its own knowledge of the business and industry, financial condition and prospects of the Bell Aliant Group, and based upon the advice of

its legal advisors and Scotia and the recommendations of the Prefco Special Committee. In view of the numerous factors considered in connection with its evaluation of the Offer, the Prefco Board did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weight to specific factors in reaching its decision. In addition, individual members of the Prefco Board may have given different weights to different factors. The conclusion and unanimous recommendation of the Prefco Board was made after considering all of the information and factors involved.

BELL ALIANT PREFERRED EQUITY INC.

Bell Aliant was incorporated under the CBCA on April 30, 2010 to be the successor to Bell Aliant Regional Communications Income Fund (the “**Fund**”) following the conversion of the Fund’s income trust structure into a corporate structure completed on January 1, 2011. Bell Aliant Regional Communications Inc. (“**Bell Aliant GP**”) is the successor corporation to certain predecessor entities resulting from the conversion transaction and all but one of the common shares of Bell Aliant GP is held by Bell Aliant (with the remaining share held by the Offeror). Bell Aliant serves 5.3 million Canadians in the Atlantic Provinces as well as in rural and regional areas of Québec. The principal operating business of Bell Aliant and Bell Aliant GP is carried out through Bell Aliant Regional Communications, Limited Partnership, Télébec, Limited Partnership and NorthernTel, Limited Partnership, which are wholly-owned Subsidiaries of Bell Aliant GP. Bell Aliant provides a complete range of innovative communications, information and entertainment services, including voice, TV, Internet, data, video, wireless, home security and value-added business solutions.

Prefco is a wholly-owned Subsidiary of Bell Aliant GP and was incorporated under the CBCA on January 31, 2011 for the sole purpose of being the issuer of preference shares of Prefco.

Prefco’s registered and head office is located at 7 South Maritime Centre, 1505 Barrington Street, Halifax, Nova Scotia, B3J 3K5. Prefco’s website address is www.bellaliant.ca. The information contained on Prefco’s website is not incorporated by reference in this Directors’ Circular.

As of August 7, 2014, there were 227,768,734 common shares of Prefco issued and outstanding and 11,500,000 Series A Preferred Shares, 4,600,000 Series C Preferred Shares and 9,200,000 Series E Preferred Shares issued and outstanding.

Prefco is a reporting issuer or the equivalent in all provinces of Canada and files its continuous disclosure documents with the Securities Regulatory Authorities in those provinces. Such documents are available under Prefco’s profile at www.sedar.com.

BCE INC.

The Offeror is Canada’s largest communications company, providing residential, business and wholesale customers with a wide range of solutions to all their communications needs, including the following: wireless, high-speed Internet, Internet protocol television (IPTV) and satellite TV, local and long distance, business Internet protocol (IP)-broadband and information and communications technology (ICT) services. The Offeror reports the results of its operations in four segments: Bell Wireline, Bell Wireless, Bell Media and Bell Aliant. Bell Canada is the largest local exchange carrier in Ontario and Québec, and is comprised of the Offeror’s Bell Wireline, Bell Wireless and Bell Media segments. Bell Media is a diversified Canadian multimedia company that holds assets in TV, radio, digital media and out-of-home advertising. For the year ended December 31, 2013, the Offeror had total operating revenues of approximately \$20.4 billion and net earnings of approximately \$2.4 billion.

The Offeror is incorporated under the CBCA. The registered and head office of the Offeror is located at 1 Carrefour Alexander-Graham-Bell, Building A, 8th Floor, Verdun, Québec, H3E 3B3.

Upon successful completion of the Offer and any Compulsory Acquisition or Subsequent Acquisition Transaction, Preferred Shareholders who receive Offeror Preferred Shares under the Offer or any Compulsory Acquisition or any Subsequent Acquisition Transaction will become preferred shareholders of the Offeror. Additional information with respect to the Offeror Preferred Shares is set forth in the Offer and Circular.

For further information regarding the Offeror, refer to the Offeror's filings with the applicable Securities Regulatory Authorities in Canada which may be obtained through SEDAR at www.sedar.com, including the documents incorporated by reference in the Offer and Circular. Further information regarding the Offeror may also be obtained from the Offeror's filings with the SEC which can be obtained by visiting the SEC's website at www.sec.gov.

BACKGROUND TO THE OFFER

The Offeror is Bell Aliant's largest shareholder and holds, together with its Affiliates, 100,376,270 Common Shares, representing 44.06 percent of the issued and outstanding Common Shares. In 2006, when the former Aliant Inc. ("**Aliant**") converted to the Fund and Aliant exchanged its wireless operations for Bell Canada's regional wireline operations in Ontario and Québec, the parties entered into a securityholders' agreement which gave the Offeror the right to appoint a majority of the directors of Bell Aliant GP for so long as it owns, directly or indirectly, more than 30 percent of the Common Shares and certain commercial agreements between Bell Canada and Bell Aliant LP are in place, and to nominate a majority of the directors of Bell Aliant in the same circumstances. This agreement (now the Securityholders' Agreement) gives the Offeror effective control over Bell Aliant and its Subsidiaries.

The Offeror and Bell Aliant have had discussions from time to time over several years about the Offeror acquiring the remainder of the outstanding Common Shares which it does not own. Concurrent with the Offer, the Offeror is making an offer to acquire the Common Shares which it does not, directly or indirectly, own. The Offer is being made at the same time as the Common Share Offer and is conditional upon completion of the Common Share Offer. See "The Common Share Offer" and "Agreements with the Offeror – Support Agreement – Completion of Common Share Offer".

On June 11, 2014, Mr. George Cope, in his capacity as chief executive officer of the Offeror, delivered a letter to the independent directors of Bell Aliant with a non-binding proposal that the Offeror would offer to acquire all of the outstanding Common Shares not already owned by it (the "**Proposal**"). The Proposal provided that the Offeror would be prepared to make an offer to the Common Shareholders to acquire the Common Shares not owned by the Offeror for \$30.00 per Common Share, with the aggregate cash amount payable by the Offeror representing 25 percent of the transaction value and the aggregate share amount representing 75 percent of the transaction value. In addition, as part of the Proposal the Offeror indicated it would be prepared to make a concurrent offer to exchange all of the outstanding Preferred Shares for preferred shares of the Offeror having substantially similar financial terms. The Proposal provided that the Offeror would make the offer to acquire Common Shares by way of a tender offer and that Bell Aliant and Prefco would enter into a support agreement with the Offeror in that regard. The Proposal further provided that the offer for the Common Shares would be conditional on the unanimous support of the Prefco Board, more than 50 percent of the Common Shares held by Common Shareholders being tendered, and other customary conditions, and that the offer for Common Shares would not be conditional on completion of the concurrent exchange offer for Preferred Shares. The letter indicated that the Proposal was not conditional on due diligence or obtaining external financing.

On June 13, 2014, the Prefco Board established a special committee of independent directors consisting of Messrs. Dexter, Reevey and Tanguay, to be chaired by Mr. Reevey, to consider the Proposal (the "**Prefco Special Committee**"). The mandate of the Prefco Special Committee included (i) examining and reviewing the Proposal as it applied to the Preferred Shares, including with the benefit of legal and financial advice from advisors selected by it, (ii) negotiating with the Offeror the terms, conditions, structure and other matters relating to the Proposal, and (iii) advising the Prefco Board as to what recommendation should be made to the Preferred Shareholders in respect of the Proposal.

The mandate of the Prefco Special Committee authorized it to retain legal and financial advisors. The Prefco Special Committee and Bell Aliant engaged Blakes to serve as legal counsel.

The Prefco Special Committee retained Scotia as its financial advisor with responsibility to, among other things, (i) prepare and deliver to the Prefco Special Committee one or more written opinions as to the adequacy or fairness, from a financial point of view, of the consideration to be offered to Preferred Shareholders pursuant to the Proposal or any variation thereof, and (ii) provide other financial advisory services related to the Proposal or any variation thereof. In retaining Scotia, the Prefco Special Committee, based in part on certain representations made to it by Scotia, concluded that Scotia was independent and qualified to provide a fairness opinion with respect to the Proposal.

Scotia, in connection with its mandates as financial advisor to the Prefco Special Committee, provided advice in respect of the terms of the Support Agreement and the negotiation thereof.

The Prefco Special Committee met as a committee two times in July 2014, in person or by telephone. The Prefco Special Committee undertook a review of the Proposal and obtained the advice of its legal and financial advisors for such purpose. To ensure that Scotia received all of the information necessary to prepare the Fairness Opinion, the Prefco Special Committee instructed Prefco, together with Bell Aliant, to grant Scotia full access to senior management of the Bell Aliant Group and provide all necessary information concerning Prefco and the Bell Aliant Group's business, operations, assets, financial condition, strategic plans, operating results and prospects. To this end, Bell Aliant and Prefco assembled this information for Scotia and organized regular meetings between members of management of the Bell Aliant Group and representatives of Scotia. Scotia confirmed to the Prefco Special Committee that it received from management of the Bell Aliant Group all of the information requested.

On July 17, 2014, following discussions between members of the Prefco Special Committee and the Offeror senior management, the Prefco Special Committee and the Offeror prepared a non-binding memorandum of understanding to reflect terms of a possible transaction between them which included, among other things, that the Prefco Special Committee would positively recommend a revised Proposal based on the advice of Scotia and subject to the ability to change such recommendation in compliance with its members' fiduciary duties. On the same date, Blakes provided comments to counsel to the Offeror on a draft Support Agreement that had been provided by the Offeror. The parties continued to negotiate the terms of the Support Agreement over the period of July 18 to 20, 2014.

As part of the discussions on July 16 and 17, 2014, the Offeror's management confirmed to the Prefco Special Committee that it intended to offer to exchange the outstanding Preferred Shares for newly issued preferred shares of the Offeror having the same financial terms as those of the Preferred Shares. The terms of the Offeror Preferred Shares to be offered in exchange for Preferred Shares were reviewed by the advisors to the Prefco Special Committee and determined to have the same financial terms as the applicable series of Preferred Shares. This was reported to the Prefco Special Committee on the evening of July 21, 2014.

On July 21, 2014, the Prefco Special Committee met to receive an update from Blakes and representatives of Bell Aliant's management regarding the Support Agreement, the status of negotiations and outstanding business points.

At a meeting of the Prefco Special Committee held on July 22, 2014 concurrently with a meeting of the special committee of the Bell Aliant Board to consider the Common Share Offer, the Prefco Special Committee received the oral opinion of Scotia (subsequently confirmed in writing) that as of July 22, 2014 the consideration to be received under the Offer is fair, from a financial point of view, to the Preferred Shareholders. The Prefco Special Committee unanimously resolved to recommend to the Prefco Board that the Prefco Board recommend that the Preferred Shareholders accept the Offer. The Prefco Special Committee also reviewed the general terms of the Support Agreement and, subject to the comments of the Prefco Special Committee, unanimously resolved to recommend that the Prefco Board authorize Prefco to enter into the Support Agreement subject to the final terms being agreed between the Parties.

At a meeting of the Prefco Board on the evening of July 22, 2014, the Prefco Board received the recommendations from the Prefco Special Committee that the Prefco Board recommend that the Preferred Shareholders accept the Offer and authorize Prefco to enter into the Support Agreement. Mr. Reevey, chairman of the Prefco Special Committee, reported to the Prefco Board that the Prefco Special Committee had received an oral opinion from Scotia (subsequently confirmed in writing) that the consideration to be received under the Offer is fair, from a financial point of view, to the Preferred Shareholders. With the Interested Directors declaring their respective interests and abstaining, the Prefco Board resolved, with all other members of the Prefco Board voting in favour of the resolution, to recommend that Preferred Shareholders accept the Offer and authorized the entering into of the Support Agreement.

Over the balance of the evening of July 22, 2014, representatives of the Prefco Special Committee, Bell Aliant, Prefco, and the Offeror finalized the terms of the Support Agreement and, effective 12:01 a.m. Eastern time on July 23, 2014, executed the Support Agreement. Prior to the opening of markets on July 23, 2014, Bell Aliant and the Offeror issued a joint press release announcing the Common Share Offer, the support of the Common Share Offer by the special committee of the board of directors of Bell Aliant and the Bell Aliant Board, the Offer, the support of the Offer by the Prefco Special Committee and Prefco Board, and the entering into of the Support Agreement by Bell Aliant and Prefco.

On August 6, 2014, the Prefco Special Committee received the written Fairness Opinion. On August 7, 2014, the Prefco Special Committee unanimously resolved to recommend that the Prefco Board approve the contents of this Directors' Circular and the delivery of it to the Preferred Shareholders. On the same day, the Prefco Board received the recommendation of the Prefco Special Committee and the Prefco Board (with the exception of the Interested Directors) approved the contents and delivery of this Directors' Circular.

SUMMARY OF THE FAIRNESS OPINION

The following summary of the Fairness Opinion is qualified in its entirety by the full text of the Fairness Opinion attached as Appendix "A" to this Directors' Circular. Preferred Shareholders are encouraged to read the full text of the Fairness Opinion. The Fairness Opinion has been prepared for the use of the Prefco Special Committee and the Prefco Board and for inclusion in this Directors' Circular. The Fairness Opinion does not constitute a recommendation to any Preferred Shareholder as to whether such Preferred Shareholder should tender to the Offer.

Engagement of Scotia

Scotia was retained by the Prefco Special Committee pursuant to an engagement letter dated July 21, 2014 (the "**Scotia Engagement Agreement**") to provide an opinion as to whether the consideration to be received under the Offer is fair, from a financial point of view, to the Preferred Shareholders. The terms of the Scotia Engagement Agreement provide that Scotia is to be paid an opinion fee of \$100,000 upon delivery of the Fairness Opinion (regardless of its conclusions). Based on the Prefco Special Committee's own investigation, including its assessment of information provided by Scotia as to its qualifications, the Prefco Special Committee concluded that Scotia was independent and qualified to provide the Fairness Opinion

Credentials of Scotia

Scotia represents the global corporate and investment banking and capital markets business of Scotiabank Group, one of North America's premier financial institutions. In Canada, Scotia is one of the country's largest investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. Scotia has participated in a significant number of transactions involving private and public companies and has extensive experience in preparing fairness opinions.

Independence of Scotia

Neither Scotia, nor any of its Affiliates, is an insider, associate or Affiliate of Prefco, the Offeror or any of their respective associates or Affiliates. Subject to the following, there are no understandings, agreements or commitments between Scotia and Prefco, the Offeror or any of their respective associates or Affiliates with respect to any future business dealings. Scotia is currently co-lead lender to Bell Aliant and has in the past provided traditional banking, financial advisory, and investment banking services to Bell Aliant and its Affiliates, including, in the last 24 months, acting as bookrunner on the issuance of \$230 million of Series E Preferred Shares. Scotia is also currently co-lead lender to the Offeror and has in the past provided, and may in the future provide, traditional banking, financial advisory or investment banking services to the Offeror or any of its Affiliates.

Scotia acts as a trader and dealer, both as principal and agent, in the financial markets in Canada, the United States and elsewhere and, as such, it and Scotiabank Group may have had and may have positions in the securities of Prefco or its Affiliates from time to time and may have executed or may execute transactions on behalf of such companies or clients for which it receives compensation. As an investment dealer, Scotia conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including with respect to Prefco or any of its Affiliates, or with respect to the Offer.

Scope of Review

In connection with the Fairness Opinion, Scotia obtained information from publicly available sources and from Prefco and the Offeror. In addition, Scotia reviewed and relied upon (without attempting to verify independently the completeness or accuracy thereof) or carried out, among other things: internal financial reports of Prefco and projected

financial information for Bell Aliant GP (the guarantor of the Preferred Shares) prepared by management for each of the years ending 2014 to 2017, as well as such other information, analyses, investigations and discussions as Scotia deemed necessary or appropriate in the circumstances. Scotia also held discussions with senior management of Prefco and the Offeror. Scotia has not, to the best of its knowledge, been denied access by Prefco to any information requested by Scotia.

Assumptions and Limitations

Scotia, subject to the exercise of its professional judgment, relied, without independent verification, upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions and representations obtained by it from public sources, or that was provided to it, by Prefco and Bell Aliant, and its associates and affiliates and advisors (the “**Information**”), and Scotia assumed that this Information did not omit to state any material fact or any fact necessary to be stated to make that information not misleading. The Fairness Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. With respect to Prefco’s financial projections provided to Scotia by management of Prefco and used in the analysis supporting the Fairness Opinion, Scotia assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of Prefco as to the matters covered thereby, and in rendering the Fairness Opinion, Scotia expresses no view as to the reasonableness of such forecasts or budgets or the assumptions on which they are based.

The Fairness Opinion was rendered as of July 22, 2014 on the basis of the securities markets, economic, financial and general business conditions prevailing on that date and the conditions and prospects, financial and otherwise, of Prefco and its subsidiaries and Affiliates, as they were reflected in the Information. In its analyses and in preparing the Fairness Opinion, Scotia made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, which Scotia believes to be reasonable and appropriate in the exercise of its professional judgment, many of which are beyond the control of Scotia or any party involved in the Offer. For the purposes of rendering the Fairness Opinion, Scotia also assumed that the representations and warranties of each party contained in the Support Agreement are true and correct in all material respects and that each party will perform all of the covenants and agreements required to be performed by it under the Offer and that Prefco will be entitled to fully enforce its rights under the Support Agreement and receive the benefits therefrom in accordance with the terms thereof. The Fairness Opinion does not address the relative merits of the Offer as compared to other business strategies or transactions that might be available with respect to Prefco or Prefco’s underlying business decision to effect the Offer.

Fairness Opinion

Based upon and subject to the analyses, assumptions, qualifications and limitations discussed in the Fairness Opinion, Scotia is of the opinion that, as of July 22, 2014, the consideration to be received pursuant to the Offer is fair, from a financial point of view, to Preferred Shareholders.

AGREEMENTS WITH THE OFFEROR

Mutual Confidentiality Agreement

The Offeror and Bell Aliant entered into the Confidentiality Agreement dated as of July 11, 2014 pursuant to which each party agreed, subject to certain exceptions, to treat confidentially and not disclose, and to cause its Representatives to treat confidentially and not disclose, any confidential information made available to it in connection with the Offers.

Support Agreement

Pursuant to the Support Agreement, the Offeror agreed to make or cause to be made, and Prefco agreed to support, the Offer, subject to the conditions set forth therein. The following is a summary of the principal terms of the Support Agreement. It does not purport to be complete and is qualified in its entirety by reference to the full text of the Support Agreement filed by Prefco with the applicable Securities Regulatory Authorities and available under Prefco’s profile at www.sedar.com.

Company Approval of the Offer

Prefco has represented to the Offeror that the Prefco Board (with the exception of the Interested Directors) has unanimously determined that the consideration to be received under the Offer is fair, from a financial point of view, to the Preferred Shareholders.

Completion of Common Share Offer

Subject to the provisions of the Support Agreement, the Offeror has the right to withdraw the Offer (or extend the Offer to postpone taking up and paying for any Preferred Shares deposited under the Offer) and will not be required to take up, purchase or pay for any Preferred Shares deposited under the Offer unless, among other things, at or prior to the Expiry Time, the conditions of the Common Share Offer as set forth in the Support Agreement have been satisfied, or to the extent permitted by Law and the terms thereof, waived by the Offeror such that the Offeror will be bound to take up and pay for the Common Shares validly deposited (and not properly withdrawn) under the Common Share Offer.

Representations and Warranties of Bell Aliant and Prefco

Bell Aliant and Prefco made customary representations and warranties in the Support Agreement, including those in respect of the following matters: (a) organization and qualification; (b) ownership of Subsidiaries; (c) corporate authorization; (d) execution and binding obligation; (e) absence of conflict or breach; (f) required filings and consents; (g) capitalization; (h) Securities Laws matters; (i) financial statements; (j) absence of Material Adverse Effect; (k) disclosure controls and internal control over financial reporting; (l) undisclosed liabilities; (m) shareholder and similar agreements; (n) litigation; (o) compliance with applicable Law; (p) brokers; (q) restrictions on business activities; (r) rights of other Persons; (s) licenses; (t) material contracts; (u) labour matters; (v) employees; (w) tax matters; (x) intellectual property; (y) leased property; (z) personal property; (aa) insurance; (bb) non-arm's length transactions; (cc) books and records; (dd) residence; (ee) certain U.S. Securities Laws matters; and (ff) Employee Plans.

Representations and Warranties of the Offeror

The Offeror made customary representations and warranties in the Support Agreement, including those in respect of the following matters: (a) organization; (b) corporate authorization; (c) execution and binding obligation; (d) absence of conflict or breach; (e) required filings and consents; (f) Securities Laws matters; (g) financial statements; (h) absence of Material Adverse Effect; (i) disclosure controls and internal control over financial reporting; (j) undisclosed liabilities; (k) litigation; (l) employee plans of the Offeror; (m) availability of funds; (n) authorized capital of the Offeror; (o) stock exchange compliance; (p) Common Share and Preferred Share ownership; (q) residence; (r) eligibility to file Form F-8 under the *U.S. Securities Act of 1933*, as amended; and (s) the *Investment Canada Act*.

Covenants by Bell Aliant and Prefco

Bell Aliant and Prefco have agreed to, among other things: (a) conduct their respective businesses, and Bell Aliant shall cause its Subsidiaries to conduct their respective businesses, and not to take any action except in the Ordinary Course and in a manner substantially consistent with past practice and in compliance with applicable Law; and (b) use commercially reasonable efforts, and Bell Aliant shall cause its Subsidiaries to use commercially reasonable efforts, to cooperate with the Offeror in structuring, planning and preparing any transaction and take such actions as are necessary to carry out any reorganization (including for tax purposes) of their respective capital, assets and corporate structure as the Offeror may reasonably require, provided, however, that no such transaction or reorganization will be undertaken unless (i) the Offeror has made the Common Share Offer, (ii) the effectiveness thereof shall only occur immediately prior to the Offeror taking up the Common Shares under the Common Share Offer (but following the Offeror publicly announcing its intention to do so), (iii) it shall not materially impede, delay or prevent completion of the Common Share Offer or the Offer or any Required Regulatory Approvals, (iv) it will not, in the opinion of Bell Aliant and Prefco, acting reasonably, prejudice the Common Shareholders, the Preferred Shareholders or the holders of accrued entitlements under the Employee Plans, (v) no such transaction or reorganization will occur unless it is permitted under and in compliance with applicable Law (including the CBCA), the articles of incorporation, limited partnership

agreement and other constating documents of Bell Aliant, Prefco or such Subsidiary, as applicable, and the Preferred Share Agreements, and (vi) no such transaction or reorganization will occur unless it is permitted under and in compliance with existing Material Contracts of Bell Aliant and its Subsidiaries, or any required consents under such Material Contracts are obtained, and provided further that no such actions will be considered to constitute a breach of the covenants, representations or warranties of the Support Agreement.

Bell Aliant has agreed to, and will cause each of its Subsidiaries to: (a) use commercially reasonable efforts to satisfy the conditions of the Common Share Offer set forth in the Support Agreement, to the extent the same are within its control and not take any action or enter into any transaction, which would, or would reasonably be expected to (i) cause any such condition to become incapable of satisfaction, or (ii) render the transactions contemplated by the Support Agreement incapable of completion or materially more difficult to complete; (b) promptly notify the Offeror orally and in writing of (i) the occurrence of any Material Adverse Effect relating to Bell Aliant and its Subsidiaries, taken as a whole, and of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same are being contemplated), or (ii) the occurrence, or failure to occur, of any event or state of facts which occurrence or failure to occur would or would be reasonably likely to (A) cause any of the representations of Bell Aliant contained in the Support Agreement to be untrue or inaccurate (without giving effect to, applying or taking into consideration any materiality or Material Adverse Effect qualification already contained within such representation or warranty) in any material respect, or (B) result in the failure in any material respect of Bell Aliant to comply with or satisfy any covenant, condition or agreement (without giving effect to, applying or taking into consideration any qualification already contained in such covenant, condition or agreement) to be complied with or satisfied prior to the Expiry Time; (c) use commercially reasonable efforts to make or cooperate with the Offeror as necessary in the making of all necessary filings and applications under all applicable Law required in connection with the Common Share Offer and any related Compulsory Acquisition or Subsequent Acquisition Transaction in respect of the Common Shares and take all reasonable action necessary to be in compliance with such Laws; and (d) defend all lawsuits or other legal, regulatory or other proceedings against Bell Aliant or any of its Subsidiaries challenging or affecting the making or completion of the Common Share Offer, or a Compulsory Acquisition or a Subsequent Acquisition Transaction in respect of the Common Shares.

Prefco has agreed to: (a) use reasonable commercial efforts to satisfy the conditions of the Offer set forth in the Support Agreement, to the extent the same are within its control and not take any action or enter into any transaction, which would, or would reasonably be expected to (i) cause any such condition to become incapable of satisfaction, or (ii) render the transactions contemplated by the Support Agreement in respect of the Offer incapable of completion or materially more difficult to complete; (b) promptly notify the Offeror orally and in writing of (i) the occurrence of any Material Adverse Effect relating to Prefco, and of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same are being contemplated), or (ii) the occurrence, or failure to occur, of any event or state of facts which occurrence or failure to occur would or would be reasonably likely to (A) cause any of the representations of Prefco contained in the Support Agreement to be untrue or inaccurate in any material respect, or (B) result in the failure in any material respect of Prefco to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied prior to the Expiry Time; (c) use commercially reasonable efforts to make or cooperate with the Offeror as necessary in the making of all necessary filings and applications under all applicable Law required in connection with the Offer and any related Compulsory Acquisition or Subsequent Acquisition Transaction in respect of the Preferred Shares and take all reasonable action necessary to be in compliance with such Laws; and (d) defend all lawsuits or other legal, regulatory or other proceedings against Prefco challenging or affecting the making or completion of the Offer, or a Compulsory Acquisition or a Subsequent Acquisition Transaction in respect of the Preferred Shares.

Bell Aliant and Prefco have also agreed that they will not: (a) take any action which would render, or which reasonably may be expected to render, any representation or warranty made by Bell Aliant or Prefco in the Support Agreement untrue in any material respect; or (b) declare, set aside or pay any dividends on, or make any other distributions on or in respect of, any securities other than Permitted Preferred Share Dividends, provided that if the Common Share Offer Effective Date occurs and neither a Compulsory Acquisition nor a Subsequent Acquisition Transaction shall have been completed in respect of the Common Shares on or prior to December 1, 2014, then Bell Aliant shall be entitled to declare a dividend, to shareholders of record as of the close of business on December 15, 2014 (or such other date after December 15, 2014 as the Parties may agree upon, acting reasonably), in an amount per Common Share equal to (i) if, on such date, the Offeror is actively pursuing a Compulsory Acquisition or a Subsequent

Acquisition Transaction, an amount not greater than the Permitted Common Share Dividend, or (ii) if, on such date, the Offeror is not actively pursuing a Compulsory Acquisition or a Subsequent Acquisition Transaction, an amount determined by the Bell Aliant Board in its sole discretion.

Except as required by applicable Law or any agreement to which Bell Aliant or any of its Subsidiaries is a party at the date of the Support Agreement, and in the case of clauses (a) and (b) below, except for such salary and compensation increases and bonuses as are approved by Bell Aliant in the Ordinary Course and disclosed to the Offeror, Bell Aliant will not, and will not permit any of its Subsidiaries to do any of the following: (a) increase the amount of any benefit or amount payable under any Employee Plan; (b) increase the compensation or benefits of any former, present or future director, officer, employee or consultant of Bell Aliant or any of its Subsidiaries; (c) accelerate the release of, or the expiry date of, any hold period relating to any Common Shares, Deferred Shares or other share based compensation awards held in the Employee Plans, or otherwise amend, vary or modify the Employee Plans; or (d) adopt, establish, enter into or implement any employee benefit plan, policy, severance or termination agreement providing for any form of benefits or compensation to any former, present or future director, officer or employee of Bell Aliant or any of its Subsidiaries holding, in the case of any officer or employee, a position of Vice President or any position senior thereto or amend any employee benefit plan, policy, severance or termination agreement.

Covenants of the Offeror

The Offeror has agreed to, among other things: (a) use reasonable commercial efforts to satisfy the conditions to the Offers set forth in the Support Agreement, to the extent the same are within its control; (b) promptly notify Bell Aliant orally and in writing of: (i) the occurrence of any Material Adverse Effect relating to the Offeror and its Subsidiaries, taken as a whole, or (ii) the occurrence, or failure to occur, of any event or state of facts which occurrence or failure to occur would or would reasonably be likely to (A) cause any of the representations of the Offeror contained in the Support Agreement to be untrue or inaccurate (without giving effect to, applying or taking into consideration any materiality or Material Adverse Effect qualification already contained within such representation or warranty) in any material respect or (B) result in the failure in any material respect of the Offeror to comply with or satisfy any covenant, condition or agreement (without giving effect to, applying or taking into consideration any qualification already contained in such covenant, condition or agreement) to be complied with or satisfied prior to the Expiry Time; (c) use reasonable commercial efforts to make or cooperate with Bell Aliant and Prefco as necessary in the making of all necessary filings and applications under all applicable Law; (d) apply for and use commercially reasonable efforts to obtain conditional approval of the listing and posting for trading on the TSX and the NYSE of the Offeror Common Shares to be issued pursuant to the Common Share Offer and for trading on the TSX of the Offeror Preferred Shares to be issued pursuant to the Offer, subject only to satisfaction by the Offeror of customary conditions of the TSX and the NYSE, as applicable; (e) make the Offers in accordance with the provisions of the Support Agreement and in compliance with all applicable Law; (f) subject to the terms and conditions of the Support Agreement relating to the Common Share Offer and of the Common Share Offer, take up the Common Shares deposited under the Common Share Offer and pay for such Common Shares in accordance with the Support Agreement and Securities Laws; (g) subject to the terms and conditions of the Support Agreement relating to the Offer and of the Offer, take up the Preferred Shares deposited under the Offer and pay for such Preferred Shares in accordance with the Support Agreement and Securities Laws; and (h) defend all lawsuits and legal, regulatory or other proceedings against the Offeror challenging or affecting the Support Agreement or the making or completion of the Offers, or a Compulsory Acquisition or a Subsequent Acquisition Transaction in respect of either of the Offers. The Offeror has agreed to make a Tax Election with Eligible Holders who exchange Preferred Shares for Offeror Preferred Shares.

The Offeror has also agreed that it will not, directly or indirectly: (a) amend or propose to amend the terms of the Offeror Shares; (b) split, combine or reclassify any outstanding Offeror Shares; (c) take any action or fail to take any action that is intended to, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the ability of the Offeror to consummate the Offers or the other transactions contemplated by the Support Agreement; (d) take any action which would render, or which reasonably may be expected to render, any representation or warranty made by the Offeror in the Support Agreement untrue in any material respect; or (e) take any action or enter into any transaction which would, or would reasonably be expected to (i) cause the conditions to the Offers set forth in the Support Agreement to become incapable of satisfaction, or (ii) render the transactions contemplated by the Support Agreement incapable of completion or materially more difficult to complete.

Subject to the provisions of the Support Agreement, the Offeror may, in its sole discretion, modify or waive any term or condition of either or both the Offers or extend the Expiry Time (it being understood that the Common Share Offer may not be extended beyond the Outside Date unless Bell Aliant and the Offeror otherwise agree, and the Offer may not be extended beyond the Outside Date unless Bell Aliant, Prefco and the Offeror otherwise agree); provided that the Offeror shall not, (a) without the prior written consent of Bell Aliant: (i) impose additional conditions to the Common Share Offer; (ii) decrease the consideration offered to Common Shareholders or the number of Common Shares offered to be purchased; (iii) decrease the cash consideration offered under the Cash Alternative or the Cash and Share Alternative; (iv) decrease the fraction of an Offeror Common Share offered under the Share Alternative or the Cash and Share Alternative; (v) modify or waive the Required Regulatory Approval that approval for listing of the Offeror Common Shares on the NYSE and TSX be obtained; or (vi) otherwise vary the Common Share Offer or any terms or conditions thereof (which, for greater certainty, does not include a waiver of a condition) in a manner which the Bell Aliant Board, acting reasonably, determines is materially adverse to the Common Shareholders, or (b) without the prior written consent of Prefco: (i) impose additional conditions on the Offer; (ii) decrease the consideration offered to Preferred Shareholders or the number of Preferred Shares offered to be purchased; (iii) change the form of consideration (other than to increase the total consideration per Preferred Share) offered to Preferred Shareholders; (iv) modify or waive the Required Regulatory Approval that approval for listing of the Offeror Preferred Shares on the TSX be obtained; or (v) otherwise vary the Offer or any terms or conditions thereof (which, for greater certainty, does not include a waiver of a condition) in a manner which the Prefco Board, acting reasonably, determines is materially adverse to the Preferred Shareholders.

Termination of the Support Agreement

The Support Agreement may be terminated at any time prior to the Common Share Offer Effective Date by mutual written agreement of the Parties.

Either Bell Aliant or the Offeror may terminate the Support Agreement by notice in writing, at any time, if:

- (a) the Common Share Offer Effective Date has not occurred on or before the Outside Date, except that this termination right shall not be available to a Party if its failure to fulfill any of its obligations or breach of any of its representations and warranties under the Support Agreement has been the cause of, or resulted in, the failure of the Common Share Offer Effective Date to occur by the Outside Date; or
- (b) after the date of the Support Agreement, any Law is enacted, made, enforced or amended, as applicable, that makes the consummation of the Common Share Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction with respect to the Common Shares illegal or otherwise permanently prohibits or enjoins the Offeror from consummating the Common Share Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction with respect to the Common Shares, and such Law has, if applicable, become final and non-appealable.

The Offeror may terminate the Support Agreement by notice in writing, at any time, if:

- (a) any condition of the Common Share Offer as set forth in the Support Agreement is not satisfied or waived by the Expiry Time; provided that the Offeror is not then in breach of the Support Agreement so as to be the primary cause of any such condition of the Common Share Offer not to be satisfied;
- (b) any representation and warranty made by Bell Aliant in the Support Agreement shall have been at the date thereof, or shall have become at any time prior to the Expiry Time, untrue or incorrect (without regard to any materiality or Material Adverse Effect qualifications contained therein) such that the condition to the Common Share Offer set forth in the Support Agreement with respect to the representations and warranties of Bell Aliant, would be incapable of being satisfied by the Expiry Date, and such inaccuracy is not curable or, if curable, is not cured by the earlier of (i) the date which is ten days from the date that written notice of such inaccuracy is delivered by the Offeror to Bell Aliant, and (ii) the Business Day prior to the Expiry Date;
- (c) (i) Bell Aliant is in default in any material respect of any of its covenants or obligations under the Support Agreement, and such default is not curable or, if curable, is not cured by the earlier of (A) the date which is ten days from the date that written notice of such default is delivered by the Offeror to Bell Aliant and (B) the Business Day prior to the Expiry Date; or (ii) Bell Aliant breaches any of the covenants or provisions with respect to alternative transactions and changes of recommendation set forth in the Support Agreement in any material respect; or

- (d) (i) the Bell Aliant Board or Bell Aliant Special Committee withdraws, modifies, changes, or qualifies (or resolves to do so) its approval or recommendation of the Common Share Offer in a manner adverse to the Offeror, or fails to publicly recommend or reaffirm its approval or recommendation of the Common Share Offer within two (2) Business Days of any written request by the Offeror (or, in the event that the Common Share Offer shall be scheduled to expire within such two (2) Business Day period, prior to such scheduled expiry), or makes a public statement inconsistent with its approval or recommendation of the Common Share Offer (a “**Bell Aliant Change in Recommendation**”) (it being understood that publicly taking no position or a neutral position with respect to an alternative transaction for a period of no more than ten Business Days after the formal announcement thereof shall not be considered a Bell Aliant Change in Recommendation); or (ii) the Bell Aliant Board or Bell Aliant Special Committee recommends or authorizes Bell Aliant to enter into a written agreement with respect to an alternative transaction in accordance with the terms of the Support Agreement.

Bell Aliant may terminate the Support Agreement by notice in writing, at any time, if:

- (a) any representation and warranty made by the Offeror in the Support Agreement shall have been at the date thereof, or shall have become at any time prior to the Expiry Time, untrue or incorrect (without regard to any materiality or Material Adverse Effect qualifications contained therein), except where any failures of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to constitute a Material Adverse Effect with respect to the Offeror and its Subsidiaries, taken as a whole, and such inaccuracy is not curable or, if curable, is not cured by the earlier of (i) the date which is ten days from the date that written notice of such inaccuracy is delivered by Bell Aliant to the Offeror, and (ii) the Business Day prior to the Expiry Date;
- (b) the Offeror is in default in any material respect of any of its covenants or obligations under the Support Agreement, and such default is not curable or, if curable, is not cured by the earlier of (i) the date which is ten days from the date that written notice of such default is delivered by Bell Aliant to the Offeror, and (ii) the Business Day prior to the Expiry Date;
- (c) provided that certain terms and conditions as outlined in the Support Agreement are met, if the Offeror does not commence the Common Share Offer and mail the Common Share Offer documents by the Offer Deadline (except where the making of the Common Share Offer is delayed by: (i) an injunction or order made by a Governmental Entity, or (ii) the Offeror not having obtained any regulatory waiver, consent or approval which is necessary to permit the Common Share Offer to be made; provided that such injunction or order is being contested or appealed or such regulatory waiver, consent or approval is being actively sought, as applicable, in which case the Support Agreement shall not be terminated by Bell Aliant pursuant to this termination right until the earlier of (A) 90 calendar days from the Offer Deadline and (B) the fifth Business Day following the date on which such injunction or order ceases to be in effect or such contests or appeals cease to be sought, or such waiver, consent or approval is obtained or such regulatory waiver, consent or approval ceases to be sought, as applicable), and then only if the Offeror has not commenced the Common Share Offer by such earlier date; or
- (d) (i) the Bell Aliant Board or Bell Aliant Special Committee withdraws, modifies, changes, or qualifies (or resolves to do so) its approval or recommendation of the Common Share Offer pursuant to the terms of the Support Agreement, or (ii) the Bell Aliant Board or Bell Aliant Special Committee recommends or authorizes Bell Aliant to enter into a written agreement with respect to an alternative transaction in accordance with the terms for Support Agreement.

Alternative Transactions and Change of Recommendation

The Bell Aliant Board or Bell Aliant Special Committee, and/or the Prefco Board or the Prefco Special Committee, may determine to consider an alternative transaction, enter into an agreement with respect to an alternative transaction, or make a Bell Aliant Change of Recommendation (in the case of Bell Aliant) or a Prefco Change of Recommendation (in the case of Prefco) if:

- (a) Bell Aliant (in the case of the Bell Aliant Board or Bell Aliant Special Committee) and/or Prefco (in the case of the Prefco Board and the Prefco Special Committee) is in compliance in all material respects with their respective obligations relating to alternative transactions and a Bell Aliant Change in Recommendation (in the case of Bell Aliant) and a Prefco Change of Recommendation (in the case of Prefco) under the Support Agreement;

- (b) Bell Aliant (in the case of the Bell Aliant Board or Bell Aliant Special Committee) and/or Prefco (in the case of the Prefco Board or the Prefco Special Committee) provides prior written notice to the Offeror of its intention to consider an alternative transaction, to enter into an agreement with respect to an alternative transaction, and/or make a Bell Aliant Change of Recommendation (in the case of Bell Aliant) or a Prefco Change of Recommendation (in the case of Prefco); and
- (c) the Bell Aliant Board and Bell Aliant Special Committee and/or the Prefco Board and the Prefco Special Committee, as applicable, have determined, after receiving advice from its outside financial advisors and legal counsel, that the failure to consider such alternative transaction, enter into an agreement with respect to such alternative transaction and/or make a Bell Aliant Change of Recommendation (in the case of Bell Aliant) or a Prefco Change of Recommendation (in the case of Prefco), as applicable, would be inconsistent with its fiduciary duties imposed by applicable Law, considering, among other things, the interest of all stakeholders of Bell Aliant, including without limitation the holders of the Common Shares or of the Preferred Shares, as the case may be.

OWNERSHIP OF SECURITIES OF PREFCO

The authorized capital of Prefco consists of an unlimited number of common shares and an unlimited number of preference shares issuable in series. As at August 7, 2014, there were 227,768,734 common shares, 11,500,000 Series A Preferred Shares, 4,600,000 Series C Preferred Shares and 9,200,000 Series E Preferred Shares issued and outstanding. Bell Aliant GP owns all of the issued and outstanding common shares of Prefco.

The following table sets out the names of each of the directors and senior officers of Prefco and the number of outstanding Preferred Shares beneficially owned as at August 7, 2014, directly or indirectly, or over which control or direction may be exercised by each such person and, where known after reasonable enquiry, by each associate or affiliate of the directors and senior officers of Prefco, each associate or affiliate of any insider of Prefco, each associate or affiliate of Prefco, each insider of Prefco other than the directors and senior officers of Prefco, and any person or company acting jointly or in concert with Prefco.

<u>Name and Position</u>	<u>Preferred Shares held directly</u>	<u>Preferred Shares held indirectly or over which control or direction may be exercised</u>	<u>Total Preferred Shares held</u>	<u>Percentage of outstanding Preferred Shares held</u>
Turcotte, Martine Director	3,400 Series C Preferred Shares	0	3,400 Series C Preferred Shares	0.01%

To the knowledge of the directors and senior officers of Prefco, no person or company beneficially owns, directly or indirectly, or exercises control or direction over Preferred Shares carrying 10 percent or more of the voting rights attached to all Preferred Shares, and no securities of Prefco are owned, directly or indirectly, or controlled by any person acting jointly or in concert with Prefco.

TRADING IN SECURITIES OF PREFCO

During the six months preceding the date hereof, none of Prefco, the directors or senior officers of Prefco or other insiders of Prefco nor, to the knowledge of the directors and senior officers of Prefco, after reasonable enquiry, any of their respective associates or affiliates, or any person or company acting jointly or in concert with Prefco, has traded any securities of Prefco.

ISSUANCES OF SECURITIES OF PREFCO

No Preferred Shares have been issued to the directors or senior officers of Prefco or other insiders of Prefco during the two years preceding the date of this Directors' Circular.

OWNERSHIP OF SECURITIES OF THE OFFEROR

The following table sets out the names of each of the directors and senior officers of Prefco and the number of outstanding Offeror Common Shares, Offeror Options, Offeror PSUs, Offeror RSUs, Offeror DSUs and BCE Inc. preferred shares beneficially owned as at August 7, 2014, directly or indirectly, or over which control or direction may be exercised by each such person and, where known after reasonable enquiry, by each associate or affiliate of the directors and senior officers of Prefco, each associate or affiliate of any insider of Prefco, each associate or affiliate of Prefco, each insider of Prefco other than the directors and senior officers of Prefco, and any person acting jointly or in concert with Prefco.

Name and Position	Offeror Common Shares held directly	Offeror Common Shares held indirectly	Total Offeror Common Shares held	% of outstanding Offeror Common Shares held	Offeror Options	Offeror PSUs	Offeror RSUs	Offeror DSUs	BCE Inc. Preferred Shares
Directors of Prefco									
Cope, George Chair and Director	27,642	23,313	50,955	0.01%	1,135,809	109,581	219,160	988,763	0
Dexter, Robert Director	0	0	0	0.00%	0	0	0	0	0
Reevey, Edward Director	0	331	331	0.00%	0	0	0	0	0
Sheriff, Karen Director and Chief Executive Officer	0	0	0	0.00%	0	0	0	0	0
Tanguay, Louis Director	1,470	2,231	3,701	0.00%	0	0	0	0	0
Turcotte, Martine Director	19,043	23,796	42,839	0.01%	317,883	23,316	46,631	75,847	0
Vanaselja, Siim Director	1,876	4,588	6,464	0.00%	317,883	23,316	46,631	298,092	0
Watson, John Director	4,900	3,443	8,343	0.00%	241,663	23,316	46,631	31,390	0
Wells, David Director	179	0	179	0.00%	75,850	8,997	17,994	0	10,150 ¹
Senior Officers of Prefco									
LeBlanc, Glen Executive Vice-President and Chief Financial Officer	0	0	0	0.00%	0	0	0	0	0
Crooks, Fred Executive Vice-President, Corporate Services and Chief Legal Officer	0	0	0	0.00%	0	0	0	0	0
McKeen, Dan Senior Vice-President, Customer Solutions	0	0	0	0.00%	0	0	0	0	0
Hartlen, Chuck Senior Vice-President, Customer Experience	0	0	0	0.00%	0	0	0	0	0
MacGregor, Rod Senior Vice-President, Corporate Strategy, Wholesale and Wireless	0	0	0	0.00%	0	0	0	0	0
Marshall, Eleanor Vice-President and Treasurer	293	0	293	0.00%	0	0	0	0	0
TOTAL	53,933	59,172	113,105	0.01%	2,089,088	188,526	377,047	1,394,092	101,501

Notes:

- (1) Comprised of 8,000 Offeror Series AK Preferred Shares, 700 Offeror Series S Preferred Shares, 250 Offeror Series AD Preferred Shares and 1,200 Offeror Series AF Preferred Shares.

INTENTIONS WITH RESPECT TO THE OFFER

To the knowledge of the directors and senior officers of Prefco, after reasonable enquiry, Ms. Turcotte, a director of Prefco, intends to accept the Offer and deposit all of the Preferred Shares held by her.

ARRANGEMENTS BETWEEN PREFCO AND ITS DIRECTORS AND OFFICERS

There are no agreements, commitments or understandings made or proposed to be made between Prefco and any of the directors or senior officers of Prefco, including any payment or other benefit proposed to be made or given by way of compensation for loss of office or their remaining in or retiring from office if the Offer is successful.

RELATIONSHIP BETWEEN THE OFFEROR AND DIRECTORS AND OFFICERS

Except as set out below, there is no agreement, commitment or understanding made or proposed to be made between the Offeror and any of the directors or senior officers of Prefco, including any payment or other benefit proposed to be made or given by way of compensation for loss of office or their remaining in or retiring from office if the Offer is successful.

The Offeror has agreed that for the period from the Effective Time until six years after the Effective Time, the Offeror will cause Bell Aliant, Bell Aliant GP and Prefco, or any successor to Bell Aliant, Bell Aliant GP or Prefco (including the successor resulting from the winding-up or liquidation or dissolution of Bell Aliant, Bell Aliant GP or Prefco, as applicable) to maintain Prefco's current directors' and officers' insurance policy or an equivalent policy, on a "trailing" or "run-off" basis, subject in either case to terms and conditions no less advantageous to the directors and officers of Bell Aliant and its Subsidiaries than those contained in the policy in effect on the date of the Support Agreement, for all present and former directors and officers of Bell Aliant, Bell Aliant GP and Prefco and their Subsidiaries, covering claims made prior to or within six years after the Effective Time; provided, however, that neither Bell Aliant, Bell Aliant GP, Prefco nor the Offeror shall be required, in order to maintain such directors' and officers' insurance policy, to pay an annual premium in excess of 300 percent of the annual cost of the existing policies; and provided further that, if equivalent coverage cannot be obtained or can only be obtained by paying an annual premium in excess of 300 percent of the annual cost of the existing policies, Bell Aliant and the Offeror shall only be required to obtain as much coverage as can be obtained by paying an annual premium equal to 300 percent of the annual cost of the existing policies. Furthermore, prior to the Effective Time, Bell Aliant may, in the alternative, purchase, either as an extension to the current insurance policies of Bell Aliant and its Subsidiaries or as a new policy, pre-paid non-cancellable run off directors' and officers' liability insurance for a period of up to six years from the Effective Time providing such coverage for all present and former directors and officers of Bell Aliant and its Subsidiaries on terms comparable to those contained in the current insurance policies of Bell Aliant and its Subsidiaries and at a cost that does not exceed \$3,000,000.

The Offeror has agreed to cause Bell Aliant, Bell Aliant GP and Prefco to keep current indemnity agreements in place and to indemnify each indemnified party thereunder to the fullest extent permitted under applicable Laws from all claims arising out of or related to such individual's service to Prefco, including the approval of the Support Agreement, the completion of the Offer or any of the other Contemplated Transactions arising out of or related to the Support Agreement and the transactions contemplated by the Support Agreement; provided that such indemnified person acted honestly and in good faith with a view to the best interests of Prefco and, in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, the indemnified person had reasonable grounds for believing that his or her conduct was lawful.

Mr. Cope, Ms. Turcotte, Mr. Vanaselja and Mr. Watson (members of the Prefco Board) are also officers of the Offeror.

ARRANGEMENTS BETWEEN THE OFFEROR AND SECURITY HOLDERS OF PREFCO

There are no agreements, commitments or understandings made or, to the knowledge of the directors and senior officers of Prefco, proposed to be made between the Offeror and a security holder of Prefco relating to the Offer.

INTERESTS OF DIRECTORS AND OFFICERS IN MATERIAL TRANSACTIONS WITH THE OFFEROR OR BELL ALIANT

None of the directors or senior officers of Prefco and their associates and, to the knowledge of the directors and senior officers of Prefco, after reasonable inquiry, no person who owns more than 10 percent of any class of equity securities of Prefco for the time being outstanding has any interest in any material transaction to which the Offeror is a party.

MATERIAL CHANGES AND OTHER INFORMATION CONCERNING PREFCO

Except as publicly disclosed or otherwise described in this Directors' Circular, none of the directors or officers of Prefco are aware of any information that indicates any material change in the affairs of Prefco since the date of the last published consolidated financial statements of Bell Aliant GP (in which Prefco's financial results are reflected), being Bell Aliant GP's unaudited consolidated financial statements as at and for the six-month period ended June 30, 2014 and management's discussion and analysis relating thereto, each of which is available under Prefco's profile at www.sedar.com.

RESPONSE OF PREFCO

Except as otherwise described or referred to herein or in the Offer and Circular, there are no transactions, directors' resolutions, agreements in principle, or signed contracts in response to the Offer nor are there any negotiations underway in response to the Offer which relate to or would result in: (a) an extraordinary transaction such as a merger or reorganization involving Prefco; (b) the purchase, sale or transfer of a material amount of assets by Prefco; (c) a bid by Prefco for its own securities or for those of another issuer; or (d) any material change in the present capitalization or dividend policy of Prefco.

OTHER INFORMATION

Except as disclosed in this Directors' Circular, there is no information that is known to the directors which would reasonably be expected to affect the decision of Preferred Shareholders to accept or reject the Offer.

LEGAL MATTERS

Certain Canadian legal matters relating to this Directors' Circular have been reviewed by Blake, Cassels & Graydon LLP on behalf of Prefco.

CONTRACTUAL RIGHTS

Securities legislation in the provinces and territories of Canada provides security holders of a company subject to a formal take-over bid with, in addition to any other rights they may at Law, a right of action for damages if there is a misrepresentation in a circular delivered to the company's security holders. However, such rights must be exercised within prescribed time limits. Prefco hereby grants Preferred Shareholders contractual rights of action for a misrepresentation in this Directors' Circular equivalent to the statutory rights that such shareholders would have been entitled to if the Offer was a formal take-over bid under applicable Securities Laws. Preferred Shareholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

APPROVAL OF THIS DIRECTORS' CIRCULAR

This Directors' Circular has been approved and its sending has been authorized by the Prefco Board.

GLOSSARY

In this Directors' Circular, unless the subject matter or context is inconsistent therewith, the following terms have the meanings set out below.

"Affiliate" or **"Affiliates"** means a Subsidiary of a Person, or a Person is also deemed to be an Affiliate of another Person if both are Subsidiaries of the same Person, or if each of them is controlled by the same Person. Notwithstanding the foregoing, for purposes of this Directors' Circular, (a) each of Bell Aliant GP, Bell Aliant LP, Prefco and their respective Subsidiaries shall, in each case for so long as Bell Aliant has any direct or indirect debt or equity interest therein or unless otherwise agreed in writing by the Offeror, Bell Canada and a majority of the directors of Bell Aliant who are Independent (as such term is defined in the Securityholders' Agreement), be respectively deemed for the purposes of this Directors' Circular to be Subsidiaries and Affiliates of Bell Aliant and not of the Offeror or Bell Canada, and (b) Bell Aliant shall be deemed for the purposes of this Directors' Circular to not be a Subsidiary or Affiliate of the Offeror or Bell Canada;

"Aliant" has the meaning ascribed thereto under the heading "Background to the Offer";

"Bell Aliant" means Bell Aliant Inc.;

"Bell Aliant Board" means the board of directors of Bell Aliant;

"Bell Aliant Change in Recommendation" has the meaning ascribed thereto under the heading "Agreements with the Offeror – Support Agreement – Termination of the Support Agreement";

"Bell Aliant GP" means Bell Aliant Regional Communications Inc.;

"Bell Aliant LP" means Bell Aliant Regional Communications, Limited Partnership;

"Bell Aliant Group" means Bell Aliant and each of its direct and indirect Subsidiaries, including Bell Aliant GP and Prefco;

"Bell Aliant Special Committee" means the special committee of the Bell Aliant Board formed to consider the Common Share Offer;

"Blakes" means Blake, Cassels & Graydon LLP;

"Business Day" means any day of the week, other than a Saturday, a Sunday or a statutory or civic holiday observed in Toronto, Ontario, Montreal, Québec or Halifax, Nova Scotia;

"Cash Alternative" means the right of each Common Shareholder to elect to receive, for each Common Share held by such Common Shareholder, \$31.00 in cash under the Common Share Offer;

"Cash and Share Alternative" means the right of each Common Shareholder to elect to receive, for each Common Share held by such Common Shareholder, \$7.75 in cash and 0.4778 of an Offeror Common Share under the Common Share Offer;

"CBCA" means the *Canada Business Corporations Act*;

"Commissioner" means the Commissioner of Competition appointed under the Competition Act and any person duly authorized to exercise the powers and perform the duties of the Commissioner of Competition;

"Common Share Directors' Circular" has the meaning ascribed thereto under the heading "The Common Share Offer";

"Common Share Offer" means the offer to be made, subject to the terms and conditions of the Support Agreement, by the Offeror by way of a formal take-over bid for all of the outstanding Common Shares other than Common Shares held by the Offeror and its Affiliates;

“**Common Share Offer and Circular**” has the meaning ascribed thereto under the heading “The Common Share Offer”;

“**Common Share Offer Effective Date**” means the date on which the Offeror first takes up and pays for Common Shares deposited to the Common Share Offer;

“**Common Shareholders**” means the registered and beneficial holders of Common Shares, other than the Offeror and its Affiliates;

“**Common Shares**” means the common shares in the capital of Bell Aliant;

“**Competition Act**” means the *Competition Act* (Canada);

“**Competition Act Clearance**” means (a) both of (i) the expiry, waiver, or termination of any applicable waiting periods, including any extension of a waiting period, under Section 123 of the Competition Act, and (ii) the advisement by the Commissioner in writing to the Offeror that the Commissioner does not, at this time, intend to make an application under Section 92 of the Competition Act, or (b) the issuance of an Advance Ruling Certificate by the Commissioner pursuant to Section 102 of the Competition Act in respect of the transactions contemplated by the Support Agreement;

“**Compulsory Acquisition**” means an acquisition by the Offeror of all Preferred Shares not tendered to the Offer utilizing the provisions of Part XVII of the CBCA;

“**Confidentiality Agreement**” means the mutual non-disclosure agreement made as of July 11, 2014 between the Offeror and Bell Aliant;

“**Contemplated Transactions**” means the making of the Offers, the entering into of the Lock-Up Agreements and the consummation of the transactions contemplated in the Support Agreement, including the Offers, the take-up of Common Shares and Preferred Shares under the Offers, any Compulsory Acquisition and any Subsequent Acquisition Transaction;

“**Contract**” means, with respect to any Person, any legally binding agreement, commitment, engagement, contract or undertaking (written or oral) to which such Person is a party or by which such Person is bound or affected or to which any of its assets is subject;

“**Converted Preferred Shares**” means Prefco’s authorized, but not issued, 11,500,000 Cumulative Floating Rate Preferred Shares, Series B, 4,600,000 Cumulative Floating Rate Preferred Shares, Series D and 9,200,000 Cumulative Floating Rate Preferred Shares, Series F, which are issuable upon conversion of Series A Preferred Shares, Series C Preferred Shares and Series E Preferred Shares, respectively, subject to certain conditions;

“**DBRS**” means DBRS Limited;

“**Deferred Shares**” means the deferred shares issued under the deferred share plan for the employees and officers of Bell Aliant, Bell Aliant GP and their subsidiaries adopted in 2011;

“**Directors’ Circular**” means this directors’ circular dated August 14, 2014 issued by the Prefco Board in connection with the Offer;

“**Effective Time**” means the time that the Offeror shall have first taken up Common Shares pursuant to the Support Agreement;

“**Eligible Holder**” means a beneficial holder of Preferred Shares that is either (a) a resident of Canada for purposes of the Tax Act and not exempt from tax under Part I of the Tax Act, or (b) a partnership, any member of which is a resident of Canada for purposes of the Tax Act and not exempt from tax under Part I of the Tax Act;

“**Employee Plans**” means all plans or arrangements providing for the benefit of employees generally or for any particular executive officer including all of the employee benefit, health, welfare, disability, bonus, deferred

compensation, stock compensation, stock option or purchase or other stock-based compensation plans or arrangements, retirement plans, post-retirement benefit plans or arrangements, pension plans or arrangements applicable to present or former employees or directors of Bell Aliant or any of its Subsidiaries which are currently maintained or participated in by Bell Aliant or any of its Subsidiaries and under which Bell Aliant or any of its Subsidiaries has any material obligations or liabilities;

“Expiry Time” means 5:00 p.m. (Toronto time) on September 19, 2014, unless the Offer or the Common Share Offer is extended or withdrawn by the Offeror;

“Expiry Date” means September 19, 2014, unless the Common Share Offer is withdrawn;

“Fairness Opinion” means an opinion of Scotia to the effect that, subject to the assumptions, limitations and qualifications contained therein, the consideration to be received under the Offer is fair, from a financial point of view, to the Preferred Shareholders attached as Appendix “A” to this Directors’ Circular;

“Fund” has the meaning ascribed thereto under the heading “Bell Aliant Preferred Equity Inc.”;

“Governmental Entity” means (a) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau or agency, domestic or foreign; (b) any subdivision, agent, commission, commissioner, board, or authority of any of the foregoing; (c) any self-regulatory authority, including the TSX and the NYSE; or (d) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

“IFRS” means International Financial Reporting Standards and applicable accounting requirements set by the International Accounting Standards Board or any successor thereto as in effect from time to time;

“Information” has the meaning ascribed thereto under the sub-heading “Summary of the Fairness Opinion – Assumptions and Limitations”;

“Interested Directors” means those members of the Bell Aliant Board or the Prefco Board, as applicable, who have declared an interest in, and refrained from voting in respect of, the transactions contemplated by the Support Agreement;

“Laws” means all laws (including common law), by-laws, statutes, rules, regulations, principles of law, orders, ordinances, judgments, decrees, guidelines, policies or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity and the term “applicable” with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or its business, undertaking, property or securities and emanate from a Governmental Entity having jurisdiction over the Party or Parties or its or their business, undertaking, property or securities;

“Lock-Up Agreements” means each of the lock-up agreements dated July 23, 2014 between the Offeror and each of the Locked-Up Shareholders;

“Locked-Up Shareholders” means the following directors and executive officers of Bell Aliant: Frederick Crooks, Robert Dexter, Charles Hartlen, Glen LeBlanc, Rod MacGregor, Dan McKeen, Edward Reevey, Karen Sheriff and Louis Tanguay;

“Material Adverse Effect” when used in connection with the Offeror or Bell Aliant, means any one or more changes, effects, events, occurrences or states of fact, either individually or in the aggregate, that is, or would reasonably be expected to be, material and adverse to the assets, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), business, operations, results of operations, capital, property, obligations (whether absolute, accrued, conditional or otherwise), financial condition of the Offeror and its Subsidiaries, or Bell Aliant and its Subsidiaries, as applicable, in each case taken as a whole, other than changes, effects, events, occurrences or states of fact consisting of, resulting from or arising in connection with:

- (a) the public announcement of the execution of the Support Agreement or the transactions contemplated by the Support Agreement or the performance of any obligations hereunder, including the impact thereof on relationships, contractual or otherwise, with employees, customers, suppliers, distributors or partners;

- (b) the failure of such Party (or, in the case of Bell Aliant, Bell Aliant or Bell Aliant GP), in and of itself, to meet any internal or public projections, forecasts or estimates of revenues, earnings, cash flow or other financial measures (it being understood that the causes underlying such event may, unless otherwise excluded in this definition, be taken into account in determining whether a Material Adverse Effect has occurred);
- (c) any changes, or announcement of a change in, the credit rating of such Party or a Subsidiary of such Party or any of its securities (it being understood that the causes underlying such event may, unless otherwise excluded in this definition, be taken into account in determining whether a Material Adverse Effect has occurred);
- (d) general economic, financial, currency exchange or securities market conditions in Canada or the United States;
- (e) changes generally affecting the telecommunications industry in Canada or the United States;
- (f) any change in applicable Laws, regulations or IFRS;
- (g) any natural disaster;
- (h) any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism; or
- (i) any change in the market price or trading volume of any securities of such Party (it being understood that the causes underlying such change in market price may, unless otherwise excluded by paragraphs (a) through (f), be taken into account in determining whether a Material Adverse Effect has occurred), or any suspension of trading in securities generally on any securities exchange on which any securities of such Party trade;

except, in the case of paragraphs (d) through (f), to the extent any such change, effect, event, occurrences or state of fact has had a materially disproportionate effect on such Party and its Subsidiaries taken as a whole compared to other comparable Persons of similar size operating in the telecommunications industry in Canada;

“**Material Contract**” means any Contract, other than a Contract with the Offeror or any of its Affiliates, to which Bell Aliant and/or any one or more of its Subsidiaries is a party or by which Bell Aliant and/or any one or more of its Subsidiaries is bound or to which any of its assets is subject: (a) that if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect on Bell Aliant and/or one or more of its Subsidiaries; (b) relating to indebtedness for borrowed money, reimbursement obligations in respect of letters of credit or bankers’ acceptances or hedging obligations in excess of \$25,000,000; (c) under which Bell Aliant and/or any one or more of its Subsidiaries is obligated to make or expects to receive payments in excess of \$25,000,000 over the remaining term; (d) providing for the establishment, investment in, organization or formation of any joint venture, limited liability company, partnership or other revenue-sharing arrangements in which the interest of Bell Aliant and/or any one or more of its Subsidiaries has a fair market value that exceeds \$25,000,000; (e) that creates an exclusive dealing arrangement or right of first offer or refusal with respect to any material asset of Bell Aliant and/or any one or more of its Subsidiaries; (f) providing for the purchase, sale or exchange, or option to purchase, sell or exchange, of any asset where the purchase or sale price or agreed value or fair market value of such asset exceeds \$25,000,000; (g) that limits or restricts in any material respect (i) the ability of Bell Aliant or any one or more of its Subsidiaries to engage in any line of business or carry on business in any geographic area, or (ii) the scope of Persons to whom Bell Aliant or any one or more of its Subsidiaries may sell products or deliver services; or (h) that is otherwise material and made outside of the Ordinary Course;

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

“**NYSE**” means the New York Stock Exchange;

“**Offer**” means the offer to be made, subject to the terms and conditions of the Support Agreement, by the Offeror to exchange all of the outstanding Preferred Shares for newly issued preferred shares of the Offeror, with financial terms the same as those attached to the Preferred Shares, such offer to be treated, as provided in the Support Agreement, for all intents and purposes as a formal take-over bid under applicable Securities Laws;

“**Offer and Circular**” has the meaning ascribed thereto under the heading “Directors’ Circular”;

“**Offer Deadline**” means August 25, 2014;

“**Offeror**” means BCE Inc.;

“Offeror Common Shares” means the common shares in the capital of the Offeror;

“Offeror Converted Preferred Shares” means the Offeror Series AN Preferred Shares, the Offeror Series AP Preferred Shares and the Offeror Series AR Preferred Shares;

“Offeror DSUs” means deferred share units issued under the BCE Inc. Share Unit Plan for Senior Executives and Other Key Employees (1997), as amended and restated from time to time;

“Offeror Options” means stock options issued under the BCE Inc. Stock Option Plan (1999) as amended and restated from time to time;

“Offeror Preferred Shares” means, collectively, the Offeror Series AM Preferred Shares, the Offeror Series AO Preferred Shares and the Offeror Series AQ Preferred Shares;

“Offeror PSUs” means performance share units issued under the BCE Inc. Restricted Share Unit Plan for Executives and Other Key Employees (2004), as amended and restated from time to time;

“Offeror RSUs” means restricted share units issued under the BCE Inc. Restricted Share Unit Plan for Executives and Other Key Employees (2004), as amended and restated from time to time;

“Offeror Series AD Preferred Shares” means the cumulative redeemable first preferred shares, series AD in the capital of the Offeror;

“Offeror Series AF Preferred Shares” means the cumulative redeemable first preferred shares, series AF in the capital of the Offeror;

“Offeror Series AK Preferred Shares” means cumulative redeemable first preferred shares, series AK in the capital of the Offeror;

“Offeror Series AM Preferred Shares” means the cumulative redeemable first preferred shares, series AM to be designated in the capital of the Offeror;

“Offeror Series AN Preferred Shares” means the cumulative redeemable first preferred shares, Series AN to be designated in the capital of the Offeror;

“Offeror Series AO Preferred Shares” means the cumulative redeemable first preferred shares, series AO to be designated in the capital of the Offeror;

“Offeror Series AP Preferred Shares” means the cumulative redeemable first preferred shares, Series AP to be designated in the capital of the Offeror;

“Offeror Series AQ Preferred Shares” means cumulative redeemable first preferred shares, series AQ to be designated in the capital of the Offeror;

“Offeror Series AR Preferred Shares” means the cumulative redeemable first preferred shares, Series AR to be designated in the capital of the Offeror;

“Offeror Series S Preferred Shares” means cumulative redeemable first preferred shares, series S in the capital of the Offeror;

“Offeror Shares” means the Offeror Common Shares and the Offeror Preferred Shares, collectively;

“Offers” means, collectively, the Common Share Offer and the Offer;

“Ordinary Course” means, with respect to an action taken by Bell Aliant or any of its Subsidiaries, that such action is taken in the ordinary course of the normal operations of Bell Aliant or such Subsidiary;

“Outside Date” means December 31, 2014, subject to the right of either Bell Aliant or the Offeror to postpone the Outside Date on no more than two occasions by a period of 30 days each time if (a) any of the Required Regulatory Approvals has not been obtained, or (b) an action, suit or proceeding shall have been taken, commenced or threatened before or by any Governmental Entity to cease trade, enjoin, prohibit or impose material limitations or conditions on the purchase by or sale to the Offeror of the Common Shares or the rights of the Offeror to own or exercise full rights of ownership of the Common Shares, to complete a Compulsory Acquisition or Subsequent Acquisition Transaction in respect of the Common Share Offer or which would have such an effect and the Party electing to postpone the Outside Date, if that Party is a party to such action, suit or proceeding, is diligently contesting it;

“Parties” means the Offeror, Bell Aliant and Prefco, and **“Party”** means any one of them;

“Permitted Common Share Dividend” means a dividend in an amount per Common Share equal to the product of (a) the amount, if any, of the cash dividend payable to holders of Offeror Common Shares with a record date on or about December 15, 2014, multiplied by (b) 0.4778;

“Permitted Preferred Share Dividend” means the quarterly cash dividends payable to Preferred Shareholders on the last business day of March, June, September and December in each year in accordance with Prefco’s articles;

“Person” includes an individual, partnership, association, body corporate, joint venture, business organization, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

“Prefco” means Bell Aliant Preferred Equity Inc.;

“Prefco Board” means the board of directors of Prefco;

“Prefco Change of Recommendation” means if the Prefco Board or the Prefco Special Committee withdraws, modifies, changes, or qualifies (or resolves to do so) its approval or recommendation of the Offer in a manner adverse to the Offeror, or fails to publicly recommend or reaffirm its approval or recommendation of the Offer within two (2) Business Days of any written request by the Offeror (or, in the event that the Offer shall be scheduled to expire within such two (2) Business Day period, prior to such scheduled expiry), or makes a public statement inconsistent with its approval or recommendation of the Offer;

“Prefco Special Committee” has the meaning ascribed thereto under the heading “Background to the Offer”;

“Preferred Share Agreements” means (a) the guarantee indentures dated as of March 15, 2011 among Bell Aliant GP, Prefco and CIBC Mellon Trust Company with respect to the Series A Preferred Shares and the cumulative 5-year rate reset preferred shares, Series B in the capital of Prefco, (b) the guarantee indentures dated as of December 7, 2011 among Bell Aliant GP, Prefco and CIBC Mellon Trust Company with respect to the Series C Preferred Shares and the cumulative 5-year rate reset preferred shares, Series D in the capital of Prefco, (c) the guarantee indentures dated as of February 14, 2013 among Bell Aliant GP, Prefco and CIBC Mellon Trust Company with respect to the Series E Preferred Shares and the cumulative 5-year rate reset preferred shares, Series F in the capital of Prefco, and (d) the Nomination and Appointment Agreement dated March 15, 2011 between Bell Aliant and Prefco;

“Preferred Shareholders” means the holders of Preferred Shares;

“Preferred Shares” means, collectively, the Series A Preferred Shares, the Series C Preferred Shares and the Series E Preferred Shares;

“Proposal” has the meaning ascribed thereto under the heading “Background to the Offer”;

“Required Regulatory Approvals” means (i) the Competition Act Clearance, (ii) the approval of the TSX and NYSE to list the Offeror Common Shares, and for purposes of the Offer, the approval of the TSX to list the Offeror Preferred Shares, and (iii) such other sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be

implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities that the Offeror, acting reasonably, determines are required in connection with the commencement of the Offers or the consummation of the Offers;

“**S&P**” means Standard & Poor’s Ratings Services;

“**Scotia**” means Scotia Capital Inc.;

“**Scotia Engagement Agreement**” has the meaning ascribed thereto under the sub-heading “Summary of the Fairness Opinion – Engagement of Scotia”;

“**SEC**” means the United States Securities and Exchange Commission;

“**Securityholders’ Agreement**” means the Amended and Restated Securityholders’ Agreement dated January 1, 2011 between Bell Aliant, Bell Aliant GP, Bell Aliant LP, 6583458 Canada Inc., Bell Canada and the Offeror;

“**Securities Laws**” means the *Securities Act* (Ontario) and all other applicable securities Laws, including U.S. securities Laws;

“**Securities Regulatory Authorities**” means the applicable securities commission or regulatory authority in each province and territory of Canada;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval, a filing system developed for the Securities Regulatory Authorities and accessible at www.sedar.com;

“**Series A Preferred Shares**” means the cumulative 5-year rate reset preferred shares, Series A in the capital of Prefco;

“**Series C Preferred Shares**” means the cumulative 5-year rate reset preferred shares, Series C in the capital of Prefco;

“**Series E Preferred Shares**” means the cumulative 5-year rate reset preferred shares, Series E in the capital of Prefco;

“**Share Alternative**” means the right of each Common Shareholder to elect to receive, for each Common Share held by such Common Shareholder, 0.6371 of an Offeror Common Share under the Common Share Offer;

“**Subsequent Acquisition Transaction**” means any proposed arrangement, amalgamation, merger, reorganization, consolidation, recapitalization or similar transaction involving Prefco and the Offeror or an Affiliate of the Offeror to be completed after completion of the Offer, which, if successfully completed, will result in the Offeror owning, directly or indirectly, all of the Preferred Shares and/or all of the assets of Prefco and provides for consideration per Preferred Share that is at least equal in value to, and is in the same form as, the consideration per Preferred Share offered under the Offer;

“**Subsidiary**” means, in respect of a Person, a Person that is controlled directly or indirectly by that Person, and includes a Subsidiary of a Subsidiary. For the purposes of this Directors’ Circular, a Person (the first Person) is deemed to control another Person (the second Person) if:

- (a) the first Person, directly or indirectly, beneficially owns or exercises control or direction (including, without limitation, by way of agreement or arrangement) over securities of the second Person carrying votes which, if exercised, taking into account any rights of the first Person under such agreement or arrangement, as applicable, would entitle the first Person to elect or direct or cause the election of a majority of the directors or trustees, as applicable, of the second Person, unless that first Person holds the voting securities only to secure an obligation;
- (b) the second Person is a partnership, other than a limited partnership, and the first Person holds more than 50 percent of the interests of the partnership; or
- (c) the second Person is a limited partnership and the general partner of the limited partnership is the first Person;

and for greater certainty a Person (the first Person) who controls another Person (the second Person) also controls all Persons that the second Person controls.

Notwithstanding the foregoing, for purposes of this Directors’ Circular, (a) each of Bell Aliant GP, Bell Aliant LP, Prefco and their respective Subsidiaries shall, in each case for so long as Bell Aliant has any direct or indirect debt or

equity interest therein or unless otherwise agreed in writing by the Offeror, Bell Canada and a majority of the directors of Bell Aliant who are Independent (as such term is defined in the Securityholders' Agreement), be respectively deemed for the purposes of this Directors' Circular, to be Subsidiaries and Affiliates of Bell Aliant and not of the Offeror or Bell Canada, and (b) Bell Aliant shall be deemed for the purposes of this Directors' Circular to not be a Subsidiary or Affiliate of the Offeror or Bell Canada;

"Support Agreement" means the support agreement dated as of July 23, 2014 among the Offeror, Prefco and Bell Aliant;

"Tax Act" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;

"Tax Election" means a joint election made by an Eligible Holder and the Offeror under subsection 85(1) of the Tax Act (or, in the case of a partnership, under subsection 85(2) of the Tax Act, provided all members of the partnership jointly elect) and the corresponding provisions of any applicable provincial tax legislation; and

"TSX" means the Toronto Stock Exchange.

CONSENT OF SCOTIA CAPITAL INC.

To: The Board of Directors of Bell Aliant Preferred Equity Inc.

We refer to our fairness opinion dated July 22, 2014 (the “**Fairness Opinion**”), which we prepared for the Special Committee of Bell Aliant Preferred Equity Inc. (“**Prefco**”) in connection with the offer made by BCE Inc. (the “**Offeror**”) to exchange all of the outstanding preferred shares of Prefco for newly issued preferred shares of the Offeror. We consent to the references to the Fairness Opinion (including the summary thereof), and to the inclusion of the Fairness Opinion, in the directors’ circular of Prefco dated August 14, 2014.

DATED at Toronto, Ontario, this 14th day of August, 2014.

(Signed) SCOTIA CAPITAL INC.

CERTIFICATE

DATED: August 14, 2014

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

On behalf of the Board of Directors of Bell Aliant Preferred Equity Inc.

(Signed) EDWARD REEVEY
Director

(Signed) ROBERT DEXTER
Director

APPENDIX “A”
FAIRNESS OPINION OF SCOTIA CAPITAL INC.

Scotia Capital Inc.
40 King Street West, 66th floor
Box 4085, Station “A”
Toronto, Ontario
Canada M5W 2X6



GLOBAL BANKING AND MARKETS

July 22, 2014

Special Committee of the Board of Directors
Bell Aliant Preferred Equity Inc.
1505 Barrington Street
Halifax, NS, B3J 2W3

To the Members of the Special Committee of the Board:

Scotia Capital Inc. (“Scotia Capital”) understands that BCE Inc. (“BCE” or the “Acquirer”) will offer to acquire all of the issued and outstanding Cumulative 5-Year Rate Reset Preferred Shares, Series A, the Cumulative 5-Year Rate Reset Preferred Shares, Series C, and the Cumulative 5-Year Rate Reset Preferred Shares, Series E (collectively, the “Preferred Shares”) of Bell Aliant Preferred Equity Inc. (“Prefco” or the “Company”) a wholly owned entity of Bell Aliant Inc. (“Bell Aliant”), by offering the holders of the Preferred Shares newly issued BCE preferred shares (the “Consideration”) with the same financial terms as the Preferred Shares (the “Preferred Shares Offer”), upon the terms and subject to the conditions set forth in the agreement between Bell Aliant and BCE dated July 22, 2014 (the “Support Agreement”). The Preferred Shares Offer is being made in connection with the offer by BCE to purchase all of the issued and outstanding common shares (the “Common Shares”) of Bell Aliant that it does not currently own for consideration of (i) \$31.00 in cash; (ii) 0.6371 of a BCE common share; or (iii) \$7.75 in cash and 0.4778 of a BCE common share for each Common Share (the “Common Shares Offer”). The above description is summary in nature. The specific terms and conditions of the Support Agreement relating to the proposed transaction (the “Transaction”) are to be more fully described in the offer to purchase and take-over bid circular of the Acquirer and in the directors’ circular, which will be mailed to the holders of each class of the Preferred Shares of Prefco (collectively, the “Disclosure Documents”).

Background and Engagement of Scotia Capital

Scotia Capital was first contacted with regard to a privatization transaction involving BCE and Bell Aliant in August 2012. Scotia Capital was retained by a special committee of the Board of Directors of Bell Aliant on August 23, 2012 pursuant to an engagement letter (the “Engagement Agreement”) to perform customary financial advisory and investment banking services in connection with such a transaction and, if requested, to provide an opinion as to the fairness, from a financial point of view, of the consideration to be received by the holders of the Common Shares (other than BCE and its affiliates).

Under the terms of the Engagement Agreement, the Special Committee of the Board of Directors of Bell Aliant formed to consider the Common Shares Offer contacted Scotia Capital in June 2014 to perform customary financial advisory and investment banking services in connection with the Common Shares Offer and were requested to provide an opinion (“the Common Shares Opinion”) as to the fairness, from a financial point of view, of the consideration under the Common Shares Offer to be received by the holders of the Common Shares (other than by BCE and its affiliates). The Common Shares Opinion will be provided to the Special Committee of the Board of Directors of Bell Aliant to be included in the directors’ circular to be mailed in connection with the Common Shares Offer.

Additionally, in connection with the Preferred Shares Offer, Scotia Capital was retained by the Special Committee of the Board of Directors of Prefco on July 21, 2014 pursuant to an engagement letter (the “Prefco Engagement Agreement”) to provide an opinion as to whether the consideration offered pursuant to the Preferred Shares Offer is fair, from a financial point of view, to the holders of each class of the Preferred Shares (the “Opinion”). The terms of the Prefco Engagement Agreement provide that Scotia Capital is to be paid an opinion fee of \$100,000 upon delivery of the Opinion.

The Special Committee of the Board of Directors of Prefco has not instructed Scotia Capital to prepare, and Scotia Capital has not prepared, a formal valuation of the Company or any of its securities or assets, and neither the Common Shares Opinion nor the Opinion should be construed as such. Scotia Capital has, however, conducted such analyses as it considered necessary in the circumstances to prepare and deliver the Opinion. This Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada (“IIROC”), but IIROC has not been involved in the preparation or review of this Opinion.

Subject to the terms of the Prefco Engagement Agreement, Scotia Capital consents to the inclusion of the Opinion in its entirety and/or a summary thereof in the Disclosure Documents and to the filing of the Opinion, as necessary, with the securities commissions, stock exchanges and other similar regulatory authorities in Canada.

Overview of Prefco

Prefco is a wholly owned subsidiary of Bell Aliant Regional Communications Inc. (“Bell Aliant GP”) which in turn is wholly owned by Bell Aliant except for one common share which is held by the acquirer. It was incorporated on January 31, 2011 for the sole purpose of being the issuer of the Preferred Shares for Bell Aliant. Bell Aliant GP guarantees Prefco’s obligations arising under the Preferred Shares. The net proceeds from issuing Preferred Shares were loaned to Bell Aliant GP and Prefco earns interest on these loans. Other than the loans, Prefco has no significant assets and does not have any ongoing business operations of its own.

Bell Aliant is one of North America’s largest regional communications service providers, and provides a range of communications, information and entertainment services, including voice, TV, Internet, data, video, wireless, home security and value-added business solutions to customers in the Atlantic provinces as well as in rural and regional areas of Ontario and Quebec. It serves a population of 5.3 million Canadians, and has approximately 2.3 million network access services subscribers and 1.0 million high-speed internet customers. Bell Aliant was created by joining Bell Canada’s regional wireline business in Ontario and Quebec, Bell’s majority interest in Bell Nordiq, and the Aliant wireline business in Atlantic Canada. Through FibreOPT™, Bell Aliant provides services on one of Canada’s most advanced fibre optic networks directly into customers’ homes and businesses.

For the twelve months ended March 31, 2014, Bell Aliant GP had sales of \$2,751 million and adjusted earnings before interest, taxes, depreciation, and amortization (“Adjusted EBITDA”), calculated as described in Management’s Discussion and Analysis of Bell Aliant GP for the year ended December 31, 2013, of \$1,277 million.

Credentials of Scotia Capital

Scotia Capital represents the global corporate and investment banking and capital markets business of Scotiabank Group (“Scotiabank”), one of North America’s premier financial institutions. In Canada, Scotia Capital is one of the country’s largest investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. Scotia Capital has participated in a significant number of transactions involving private and public companies and has extensive experience in preparing fairness opinions.

The Opinion expressed herein represents the opinion of Scotia Capital as a firm. The form and content of the Opinion have been approved for release by a committee of directors and other professionals of Scotia Capital, all of whom are experienced in merger, acquisition, divestiture, fairness opinion and valuation matters.

Relationships of Scotia Capital

Neither Scotia Capital nor any of its affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act (Ontario)*) of the Company, Acquirer or any of their respective associates or affiliates. Subject to the following, there are no understandings, agreements or commitments between Scotia Capital and the Company, Acquirer or any of their respective associates or affiliates with respect to any future business dealings. Scotia Capital is currently co-lead lender to Bell Aliant and has in the past provided traditional banking, financial advisory, and investment banking services to Bell Aliant and its affiliates, including, in the last 24 months, acting as Bookrunner on the issuance of \$230 million of Cumulative 5-Year Rate Reset Preferred Shares, Series E. Scotia Capital is also currently co-lead lender to BCE and has in the past provided, and may in the future provide, traditional banking, financial advisory or investment banking services to BCE or any of its affiliates.

Scotia Capital acts as a trader and dealer, both as principal and agent, in the financial markets in Canada, the United States and elsewhere and, as such, it and Scotiabank, may have had and may have positions in the securities of Prefco, Bell Aliant, or its affiliates from time to time and may have executed or may execute transactions on behalf of such companies or clients for which it receives compensation. As an investment dealer, Scotia Capital conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including with respect to the Prefco, Bell Aliant, or any of its affiliates, or with respect to the Preferred Shares Offer.

Scope of Review

In preparing the Opinion, Scotia Capital has reviewed, considered and relied upon, without attempting to verify independently the completeness or accuracy thereof, among other things:

- (a) the draft Support Agreement dated July 22, 2014 between the Acquirer, Bell Aliant, and Prefco;
- (b) The Number and Designation of and Rights, Privileges, Restrictions and Conditions Attaching to the Cumulative Redeemable First Preferred Shares, Series AM, Series AN, Series AO, Series AP, Series AQ, and Series AR, as proposed by BCE
- (c) annual reports of Bell Aliant and Bell Aliant GP for the fiscal years ended 2011-2013;
- (d) the Notice of Annual Meeting of Shareholders and the Management Information Circular of Bell Aliant for the fiscal years ended 2011-2013;
- (e) audited financial statements of Bell Aliant and Bell Aliant GP for the fiscal years ended 2011-2013;
- (f) annual information forms of Bell Aliant and Bell Aliant GP for the fiscal years ended 2011-2013;
- (g) the unaudited quarterly reports of Bell Aliant and Bell Aliant GP for the three-month period ended March 31, 2014;
- (h) the prospectuses for each class of the Preferred Shares issued by the Company;
- (i) the Bell Aliant budget for the fiscal year ending 2014;
- (j) unaudited projected financial and operational information of Bell Aliant for the fiscal years ending 2014 through 2017 prepared by management of Bell Aliant;
- (k) various financial and operational information and reports regarding Bell Aliant prepared by management of Bell Aliant;
- (l) various research publications prepared by industry and equity research analysts regarding Bell Aliant and other selected entities considered relevant;
- (m) public information relating to the business, operations, financial performance and stock trading history of Bell Aliant and the Company and other selected public companies considered by us to be relevant;
- (n) public information with respect to other transactions of a comparable nature considered by us to be relevant;
- (o) representations contained in separate certificates dated July 22, 2014 addressed to Scotia Capital from senior officers of the Company and the Chairman of the Special Committee as to the completeness, accuracy and fair presentation of the information upon which the Opinion is based;
- (p) discussions with senior management of the Company with respect to the information referred to above and other issues deemed relevant;
- (q) discussions with legal counsel to the Special Committee and the Company, with respect to various legal matters relating to the Transaction and other matters considered relevant;
- (r) discussions with senior management of BCE;
- (s) discussions with members of the Special Committee; and
- (t) such other corporate, industry and financial market information, investigations and analyses as Scotia Capital considered necessary or appropriate in the circumstances.

Scotia Capital has not, to the best of its knowledge, been denied access by the Company to any information requested by Scotia Capital.

Prior Valuations

The Company has represented to Scotia Capital that, to the best of its knowledge, there have been no prior valuations (as defined for the purposes of Multilateral Instrument 61-101 of the Ontario Securities Commission and the Autorité des marchés financiers of Quebec) of the Company or any of its material assets or subsidiaries prepared within the past twenty-four (24) months, other than those which have been provided to Scotia Capital.

Assumptions and Limitations

The Opinion is subject to the assumptions, explanations and limitations set forth below.

Scotia Capital has, subject to the exercise of its professional judgment, relied, without independent verification, upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions and representations obtained by it from public sources, or that was provided to us, by Bell Aliant and the Company, and its associates and affiliates and advisors (collectively, the “Information”), and we have assumed that this Information did not omit to state any material fact or any fact necessary to be stated to make that information not misleading. The Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. With respect to Bell Aliant’s financial projections provided to Scotia Capital by management of Bell Aliant and used in the analysis supporting the Opinion, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of Bell Aliant as to the matters covered thereby, and in rendering the Opinion we express no view as to the reasonableness of such forecasts or budgets or the assumptions on which they are based.

Senior management of the Company and the Chairman of the Special Committee have represented to Scotia Capital in certificates delivered as of July 22, 2014, among other things, that to the best of their knowledge (a) the Company has no information or knowledge of any facts public or otherwise not specifically provided to Scotia Capital relating to the Company or any of its subsidiaries or affiliates which would reasonably be expected to affect materially the Opinion; (b) with the exception of forecasts, projections or estimates referred to in (d), below, the written Information provided to Scotia Capital by or on behalf of the Company in respect of the Company and its subsidiaries or affiliates, in connection with the Transaction is or, in the case of historical information or data, was, at the date of preparation, true and accurate in all material respects, and no additional material, data or information would be required to make the data provided to Scotia Capital by the Company not misleading in light of circumstances in which it was prepared; (c) to the extent that any of the Information identified in (b), above, is historical, there have been no changes in material facts or new material facts since the respective dates thereof which have not been disclosed to Scotia Capital or updated by more current Information that has been disclosed; and (d) any portions of the Information provided to Scotia Capital which constitute forecasts, projections or estimates were prepared using the assumptions identified therein, which, in the reasonable opinion of the Company, are (or were at the time of preparation) reasonable in the circumstances.

The Opinion is rendered on the basis of the securities markets, economic, financial and general business conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of the Company and its subsidiaries and affiliates, as they were reflected in the Information. In its analyses and in preparing the Opinion, Scotia Capital made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, which Scotia Capital believes to be reasonable and appropriate in the exercise of its professional judgment, many of which are beyond the control of Scotia Capital or any party involved in the Preferred Shares Offer.

For the purposes of rendering the Opinion, Scotia Capital has also assumed that the representations and warranties of each party contained in the Support Agreement are true and correct in all material respects and that each party will perform all of the covenants and agreements required to be performed by it under the Transaction and that the Company will be entitled to fully enforce its rights under the Support Agreement and receive the benefits therefrom in accordance with the terms thereof.

The Opinion has been provided for the sole use and benefit of the Special Committee and the Board of Directors of the Company in connection with, and for the purpose of, its consideration of the Preferred Shares Offer and may not be relied upon by any other person. Our opinion does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote or act with respect to the Preferred Shares Offer. The Opinion is given as of the date hereof, and Scotia Capital disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of Scotia Capital after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Opinion after the date hereof, Scotia Capital reserves the right to change, modify or withdraw the Opinion.

Our opinion does not address the relative merits of the Preferred Shares Offer as compared to other business strategies or transactions that might be available with respect to the Company or the Company's underlying business decision to effect the Preferred Shares Offer. At your direction, we have not been asked to, nor do we, offer any opinion as to the material terms (other than the Consideration) of the Support Agreement or the form of the Preferred Shares Offer.

Approach to Fairness

In support of the Opinion, Scotia Capital has performed certain analyses on the Company and the Offer, based on the methodologies and assumptions that Scotia Capital considered appropriate in the circumstances for the purposes of providing its Opinion. As part of the analyses and investigations carried out in the preparation of the Opinion, Scotia Capital reviewed and considered the items outlined under "Scope of Review" above.

In considering the fairness of the Consideration offered to the holders of the Preferred Shares, Scotia Capital compared the financial and non-financial terms of the Consideration to the terms of the Preferred Shares. The compared terms included the issuer, reporting issuer, and guarantor structure, financial terms including coupons and rate reset spreads, reset dates, redemption and conversion rights, and governance rights. Scotia Capital also examined the differences in capital structure and balance sheet strength, credit ratings, and forecasted revenue and EBITDA growth of the two underlying issuers, BCE and Bell Aliant. Finally, Scotia Capital compared the liquidity of the existing BCE preferred shares to that of the Preferred Shares.

Fairness Considerations

In preparing the Opinion, Scotia Capital has considered, among other things, that:

- (a) the financial terms of the Consideration are effectively identical to the financial terms of the Preferred Shares;
- (b) the credit quality of BCE is equal to or better than that of Bell Aliant GP (the guarantor of the Preferred Shares); and
- (c) the non-financial terms of the Consideration are substantially the same to those of the Preferred Shares.

Conclusion

Based upon and subject to the foregoing and such other matters as we considered relevant, Scotia Capital is of the opinion that, as of the date hereof, the Consideration to be received by the holders of each class of the Preferred Shares pursuant to the Preferred Shares Offer is fair from a financial point of view to such holders of each class of the Preferred Shares.

Yours very truly,



SCOTIA CAPITAL INC.

