

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act"), and accordingly will not be offered, sold or delivered, directly or indirectly, within the United States of America, its possessions and other areas subject to its jurisdiction without the availability of an exemption from registration. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Bell Aliant Preferred Equity Inc. at 7 South Maritime Centre, 1505 Barrington Street, Halifax, Nova Scotia, Canada B3J 2W3 (telephone (877) 248-3113) and are also available electronically at [www.sedar.com](http://www.sedar.com).

## Short Form Prospectus

New Issue

November 29, 2011



### Bell Aliant Preferred Equity Inc.

**\$100,000,000**

### **4,000,000 Cumulative 5-Year Rate Reset Preferred Shares, Series C**

Fully and unconditionally guaranteed by  
**Bell Aliant Regional Communications Inc.**

This short form prospectus qualifies the distribution (the "Offering") of 4,000,000 Cumulative 5-Year Rate Reset Preferred Shares, Series C (the "Series C Shares") of Bell Aliant Preferred Equity Inc. (the "Corporation"). The holders of the Series C Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Corporation's board of directors (the "Board of Directors") for the initial period from and including the closing date of this Offering up to but excluding March 31, 2017 (the "Initial Fixed Rate Period") payable quarterly on the last Business Day of March, June, September and December in each year at an annual rate of \$1.1375 per share. The initial dividend, if declared, will be payable on March 31, 2012 and will be \$0.3584 per share, based on the anticipated closing date of this Offering of December 7, 2011 (the "Closing Date"). See "Details of the Offering".

For each five-year period after the Initial Fixed Rate Period (each, a "Subsequent Fixed Rate Period"), the holders of Series C Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last Business Day of March, June, September and December in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be equal to the sum of the Government of Canada Yield (as defined herein) on the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period plus 3.09%. See "Details of the Offering".

#### **Option to Convert Into Series D Shares**

Subject to the Corporation's right to redeem Series C Shares, the holders of Series C Shares will have the right, at their option, to convert their Series C Shares into Cumulative Floating Rate Preferred Shares, Series D (the "Series D Shares", and together with the Series C Shares, the "Series C and D Preferred Shares"), subject to certain conditions, on March 31, 2017 and on March 31 every five years thereafter. The holders of Series D Shares will be entitled to receive floating rate cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last Business Day of March, June, September and December in each year (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a "Quarterly Floating Rate Period"), in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by \$25.00. The Floating Quarterly Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) plus 3.09% (calculated on the basis of the actual number of days in the applicable Quarterly Floating Rate Period divided by 365) determined as of the 30<sup>th</sup> day prior to the first day of the applicable Quarterly Floating Rate Period. See "Details of the Offering".

Subject to the provisions described under “Details of the Offering – Description of the Series C Shares – Restrictions on Dividends and Retirement of Shares”, on March 31, 2017, and on March 31 every five years thereafter, the Corporation may, at its option, redeem all or any part of the then outstanding Series C Shares by the payment of an amount in cash for each Series C Share so redeemed of \$25.00 plus all accrued and unpaid dividends up to, but excluding, the date fixed for redemption. See “Details of the Offering – Description of the Series C Shares – Redemption”.

The Series C and D Preferred Shares will be fully and unconditionally guaranteed by Bell Aliant Regional Communications Inc. (“**Bell Aliant GP**”) as to (i) the payment of dividends, if, as and when declared, (ii) the payment of amounts due on redemption of the Series C and D Preferred Shares, and (iii) the payment of amounts due on the liquidation, dissolution or winding-up of the Corporation.

The Series C and D Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof. See “Risk Factors”.

**The Underwriters (as defined herein) may offer the Series C Shares at a price lower than that stated below. See “Plan of Distribution”.**

RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc., Desjardins Securities Inc., Canaccord Genuity Corp., GMP Securities Inc., Macquarie Capital Markets Canada Limited, Beacon Securities Limited and Casgrain & Company Limited (collectively, the “**Underwriters**”), as principals, conditionally offer the Series C Shares, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement referred to under “Plan of Distribution”, and subject to approval of certain legal matters on behalf of the Corporation and Bell Aliant GP by Blake, Cassels & Graydon LLP and on behalf of the Underwriters by Norton Rose OR LLP. See “Plan of Distribution”. The offering price was determined by negotiation between the Corporation and the Underwriters. In connection with this Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series C Shares at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be interrupted or discontinued at any time. See “Plan of Distribution”.

**The earnings coverage ratios for each of the twelve-month periods ended December 31, 2010 and September 30, 2011, respectively, disclosed in this short form prospectus are less than one-to-one due to a non-cash write-down, in the fourth quarter of 2010, of the carrying value of certain finite life intangible assets. See “Earnings Coverage Ratios of Bell Aliant GP”.**

**There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See “Risk Factors”.**

**The Toronto Stock Exchange (“TSX”) has conditionally approved the listing of the Series C Shares and the Series D Shares. The Series C Shares will be listed under the symbol “BAF.PR.C”. Such listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before February 20, 2012.**

Standard & Poor’s Rating Services (“**S&P**”) has assigned a rating of P-3 (high) for the Series C Shares and DBRS Limited (“**DBRS**”) has assigned a rating of Pfd-3 (high) for the Series C Shares. See “Credit Ratings”.

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**Price: \$25.00 per Series C Share to yield initially 4.55% per annum**

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	Price to the Public <sup>(1)</sup>	Underwriters’ Fee <sup>(1)(2)</sup>	Net Proceeds to the Corporation <sup>(1)(3)</sup>
Per Series C Share	\$25.00	\$0.75	\$24.25
Total	\$100,000,000	\$3,000,000	\$97,000,000

- (1) The Corporation has granted to the Underwriters an over-allotment option (the “**Over-Allotment Option**”) to purchase on the same terms up to 600,000 additional Series C Shares, exercisable at any time until the date that is 30 days following the Closing Date. If the Over-Allotment Option is exercised in full, the total “Price to the Public”, “Underwriters’ Fee” and “Net Proceeds to the Corporation”, before deducting expenses of the Offering, would be \$115,000,000, \$3,450,000 and \$111,550,000, respectively (assuming no Series C Shares are sold to those institutions referred to in (2) below). This short form prospectus qualifies the grant of the Over-Allotment Option, as well as the distribution of the Series C Shares issuable upon exercise of the Over-Allotment Option. A purchaser who acquires any of the Series C Shares forming part of the Underwriters’ over-allocation position acquires such Series C Shares under this short form prospectus regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.
- (2) The Underwriters’ fee is \$0.25 per share for each Series C Share sold to certain institutions and \$0.75 per share for all other Series C Shares sold. The Underwriters’ Fee set forth in the table assumes that no shares are sold to such institutions.
- (3) Before deduction of expenses of the offering payable by the Corporation estimated at \$0.4 million.

<u>Underwriters' Position</u>	<u>Maximum Size or number of securities held</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	Option to acquire up to an additional 600,000 Series C Shares	30 days following the Closing Date	\$25.00 per share

The head and principal office of the Corporation and Bell Aliant GP are located at 7 South Maritime Centre, 1505 Barrington Street, Halifax, Nova Scotia, B3J 2W3. Unless otherwise specifically stated, all dollar amounts in this short form prospectus are expressed in Canadian dollars.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will occur on December 7, 2011 or on such other date as the Corporation, Bell Aliant, Bell Aliant GP and the Underwriters may agree, but not later than December 16, 2011. A book-entry only certificate representing the Series C Shares distributed hereunder will be issued in registered form only to CDS Clearing and Depository Services Inc. (“CDS”), or its nominee, and will be deposited with CDS on the Closing Date. A purchaser of the Series C Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the shares are purchased. See “Book – Entry Only System”.

**Each of RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc. and Desjardins Securities Inc. is a subsidiary or an affiliate of a Canadian financial institution. Bell Aliant LP (as defined below), a wholly-owned subsidiary of Bell Aliant GP, has established credit facilities with those financial institutions or their affiliates. Accordingly, each of the Corporation and Bell Aliant GP may be considered a “connected issuer” of such Underwriters for the purposes of applicable Canadian securities laws. See “Plan of Distribution”.**

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References in this short form prospectus to “**Bell Aliant**” mean Bell Aliant Inc. and references to “**Bell Aliant Group**” mean Bell Aliant and each of its direct and indirect subsidiaries, including Bell Aliant GP and the Corporation.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, including each of the documents incorporated by reference herein, may contain forward-looking information about the Bell Aliant Group, including the subsidiaries' respective future financial condition and results of operations, and anticipated future events and circumstances. The purpose of forward-looking information is to provide the reader with information about management's expectations, plans and priorities for the applicable period or with respect to applicable events. Readers are cautioned that such information may not be appropriate for other purposes. Such information is based on the expectations of the directors and management of the Bell Aliant Group and estimates about the markets in which the Bell Aliant Group operates and the directors' and management's beliefs and assumptions regarding these markets. 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. Some of the risk factors which could cause results or events to differ materially from expectations include but are not limited to: increasing competition; management's ability to achieve strategies and plans, including expansion of the fibre-to-the-home (FTTH) network and managing the cost structure; general economic conditions; pension valuation and investment risk; reliance on systems; changing technology; demand for products and services; the Bell Aliant Group's business relationship with BCE Inc. and Bell Canada; changing regulations; dependence on key suppliers; maintenance of credit ratings; leverage and restrictive covenants; BCE Inc.'s governance rights; reliance on key personnel and labour relations, including the requirement for effective business continuity planning and the ability to attract and retain new employees; legal contingencies and changes in laws, including laws pertaining to privacy and security of customer information; tax-related risks; and, with respect to the Series C and D Preferred Shares, the additional risk factors described under the heading “Risk Factors” herein. Some of these risk factors are largely beyond the control of the Bell Aliant Group. In addition, a number of assumptions may be made in providing forward-looking information in

this short form prospectus, such as certain assumptions about the Canadian economy, as well as market, financial and operational assumptions. Refer to the “Assumptions made in the preparation of forward-looking information and risks that could affect our business and results” section of the annual management’s discussion and analysis of each of the Fund and Bell Aliant Holdings LP (each as defined below) (as predecessors to Bell Aliant and Bell Aliant GP, respectively) and the interim management’s discussion and analysis of each of Bell Aliant and Bell Aliant GP, equivalent sections of the annual information form for each of Bell Aliant and Bell Aliant GP and any subsequent management’s discussion and analysis and annual information form incorporated by reference herein, and the “Risk Factors” section of this short form prospectus, for further discussion of these and other assumptions and risk factors. 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 or non-recurring or other special items, announced or occurring after the date it is provided, may have on the business of the Bell Aliant Group. All of the forward-looking information included in this short form prospectus and the documents referred to within 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 Bell Aliant Group. Except as may be required by Canadian securities laws, each of Bell Aliant, Bell Aliant GP and the Corporation 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.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Corporation at the address set forth on the cover page of this short form prospectus, and are also available electronically at [www.sedar.com](http://www.sedar.com).

On January 1, 2011, Bell Aliant Regional Communications Income Fund (the “**Fund**”) and certain of its subsidiaries completed a transaction to convert the Fund’s income trust structure into a corporate structure by way of a court-approved plan of arrangement under the *Canada Business Corporations Act* (the “**CBCA**”) (the “**Conversion Transaction**”). Bell Aliant is the successor corporation to the Fund and Bell Aliant GP is the successor corporation to each of Bell Aliant Regional Communications Holdings Inc. (“**Bell Aliant Holdings GP**”), Bell Aliant Regional Communications Holdings, Limited Partnership (“**Bell Aliant Holdings LP**”) and Bell Aliant Regional Communications Inc. (“**Predecessor Bell Aliant GP**”) resulting from the Conversion Transaction. Certain of the documents incorporated herein by reference relate to the Fund and Bell Aliant Holdings LP, the predecessor entities of Bell Aliant and Bell Aliant GP, respectively.

The following documents, filed with securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference in, and form an integral part of, this short form prospectus:

### **Bell Aliant (successor to the Fund)**

- (a) the annual information form of Bell Aliant dated March 31, 2011 for the year ended December 31, 2010;
- (b) the audited annual consolidated financial statements of the Fund for the years ended December 31, 2010 and 2009, together with management’s discussion and analysis thereon;
- (c) the audited annual financial statements of Bell Aliant for the year ended December 31, 2010;
- (d) the unaudited interim financial statements of Bell Aliant for the three- and nine-month periods ended September 30, 2011 and 2010, together with management’s discussion and analysis thereon;
- (e) the management information circular of Bell Aliant dated April 28, 2011 prepared in connection with the annual meeting of shareholders of Bell Aliant held on June 14, 2011;
- (f) the material change report of the Fund, Bell Aliant Holdings LP and Bell Aliant Regional Communications, Limited Partnership (“**Bell Aliant LP**”) dated January 10, 2011 with respect to the completion of the Conversion Transaction;
- (g) the material change report of Bell Aliant, Bell Aliant GP and Bell Aliant LP dated March 3, 2011 with respect to the offering of Cumulative 5-Year Rate Reset Preferred Shares, Series A (“**Series A Shares**”) by the Corporation; and

- (h) the material change report of Bell Aliant, Bell Aliant GP and Bell Aliant LP dated April 29, 2011 with respect to the offering of \$300 million principal amount of 4.88% medium term notes due April 26, 2018 by Bell Aliant LP.

**Bell Aliant GP (successor to Bell Aliant Holdings LP)**

- (a) the annual information form of Bell Aliant GP dated March 31, 2011 for the year ended December 31, 2010 (the “**Bell Aliant GP AIF**”);
- (b) the audited annual consolidated financial statements of Bell Aliant Holdings LP for the years ended December 31, 2010 and 2009, together with management’s discussion and analysis thereon (the “**Bell Aliant Holdings Annual MD&A**”);
- (c) the unaudited interim consolidated financial statements of Bell Aliant GP for the three- and nine-month periods ended September 30, 2011 and 2010, together with management’s discussion and analysis thereon (the “**Bell Aliant GP Interim MD&A**”); and
- (d) consolidating summary financial information for Bell Aliant GP, the Corporation and other subsidiaries of Bell Aliant GP for the nine months ended September 30, 2011.

**Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference into this short form prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this short form prospectus.**

Any document of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* (“**NI 44-101**”) to be incorporated by reference in a short form prospectus, including any annual information forms, material change reports (except confidential material change reports), business acquisition reports, interim financial statements, annual financial statements and the auditor’s report thereon, management’s discussion and analysis and information circulars filed by the Corporation, Bell Aliant GP or Bell Aliant with securities commissions or similar authorities in Canada after the date of this short form prospectus and before the termination of the distribution of the securities to be distributed under this short form prospectus, shall be deemed to be incorporated by reference in this short form prospectus.

The Corporation will not file with Canadian securities regulatory authorities separate continuous disclosure information regarding the Corporation apart from, where there is a material change in the business, operations or capital of the Corporation that is not a material change in respect of Bell Aliant GP, a material change report. See “Exemptive Relief”.

**EXEMPTIVE RELIEF**

The Corporation has received exemptive relief (the “**Exemptive Relief**”) dated February 18, 2011 from or on behalf of each of the securities regulatory authorities in each of the provinces and territories of Canada from certain continuous disclosure and other reporting requirements prescribed by applicable securities legislation for reporting issuers and their insiders. The Exemptive Relief, among other things, permits the Corporation to effectively rely on the exemption provided in Section 13.4 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”), subject to certain conditions. Pursuant to the Exemptive Relief, the Corporation is not required to file with the Canadian securities regulatory authorities separate continuous disclosure information regarding the Corporation, except for material change reports if there is a material change in respect of the affairs of the Corporation that is not also a material change in respect of the affairs of Bell Aliant GP. The Exemptive Relief also granted an exemption to the Corporation from the disclosure requirements in Item 6 (Earnings Coverage Ratios) and Item 11 (Documents Incorporated by Reference), with the exception of Item 11.1(1)5, of Form 44-101F1 of NI 44-101 in respect of the Corporation, as applicable.

The Corporation does not directly satisfy the eligibility criteria contained in Part 2 of NI 44-101 in order to be able to file a short form prospectus for the distribution of the Series C Shares. However, Bell Aliant GP will fully and unconditionally guarantee the

payments required to be made by the Corporation in connection with the Series C and D Preferred Shares. See “Details of the Offering – Description of the Series C Shares – Series C Guarantee” and “ – Description of the Series D Shares – Series D Guarantee”. As a result of Bell Aliant GP’s guarantee and pursuant to the Exemptive Relief, the Corporation is qualified to use the short form prospectus provisions of Canadian securities legislation. As required by Canadian securities legislation, Bell Aliant GP has certified the content of this short form prospectus (see “Certificate of the Credit Supporter”), and various disclosure documents filed by Bell Aliant GP, or its predecessor, Bell Aliant Holdings LP, under applicable securities legislation are incorporated by reference herein.

The Corporation’s financial results are reflected in the consolidated financial results of Bell Aliant GP as supplemented with consolidating summary financial information filed by the Corporation in accordance with Section 13.4 of NI 51-102 and the Exemptive Relief.

## INTERCORPORATE RELATIONSHIPS

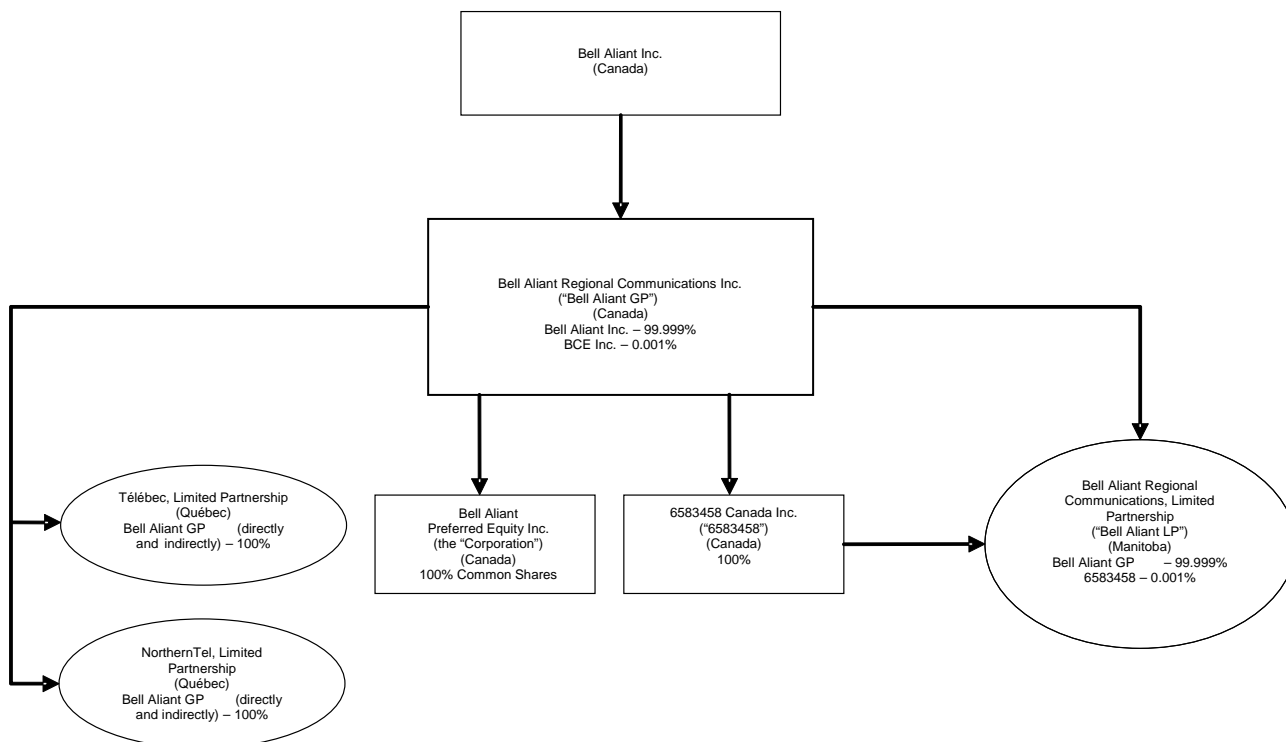
Bell Aliant was incorporated under the CBCA on April 30, 2010 to be the successor to the Fund following completion of the Conversion Transaction. The Conversion Transaction was completed on January 1, 2011. Bell Aliant GP is the successor corporation to Bell Aliant Holdings GP, Bell Aliant Holdings LP and Predecessor Bell Aliant GP resulting from the Conversion Transaction and all but one of the common shares of Bell Aliant GP is held by Bell Aliant.

Pursuant to the Amended and Restated Securityholders’ Agreement dated January 1, 2011 (the “**Securityholders’ Agreement**”) among Bell Aliant GP, BCE Inc., Bell Canada and certain other parties to that agreement, BCE Inc. indirectly holds one common share of Bell Aliant GP and has the right to appoint up to a majority of the directors of Bell Aliant GP (and a majority of the directors of certain other underlying entities of Bell Aliant), for so long as BCE Inc., directly or indirectly, holds not less than 30 per cent of the common shares of Bell Aliant and certain commercial agreements with Bell Aliant LP are in place. If those commercial agreements are terminated by any of the parties thereto in accordance with their terms (other than a termination as a result of a material uncured intentional breach by Bell Aliant LP), or if BCE Inc., directly or indirectly, holds less than 30 per cent of the common shares of Bell Aliant, BCE Inc. is entitled to appoint its proportionate share of the directors of Bell Aliant GP (rounded up to the next whole number) based on its direct and indirect ownership of the common shares of Bell Aliant. In any event, BCE Inc. is entitled to appoint two directors to the board of Bell Aliant GP for as long as such commercial agreements are in place, irrespective of its ownership interest in Bell Aliant. The foregoing principles set forth in the Securityholders’ Agreement relating to the composition of the board of Bell Aliant GP also apply to the selection of nominees for election as directors by shareholders of Bell Aliant. The principal business of Bell Aliant and Bell Aliant GP is carried on through Bell Aliant LP, a wholly-owned subsidiary of Bell Aliant GP.

The Corporation 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 the Corporation (“**preference shares**”). On March 15, 2011, the Corporation completed an offering of 10,000,000 Series A Shares for gross proceeds of \$250 million. On March 25, 2011, the underwriters exercised an over-allotment option to purchase an additional 1,500,000 Series A Shares, bringing the total gross proceeds of the offering to \$287.5 million (the “**Series A Preferred Share Offering**”). The Series A Shares are convertible, in accordance with their terms, into Cumulative Floating Rate Preferred Shares, Series B (“**Series B Shares**”) in certain circumstances. The net proceeds of the Series A Preferred Share Offering were loaned to Bell Aliant GP (the “**Series A Loan**”), which in turn loaned substantially all of such amount to Bell Aliant LP.

The Corporation intends to lend the net proceeds resulting from the issue of Series C Shares to Bell Aliant GP (the “**Series C Loan**” or “**Series C Loans**”). See “Use of Proceeds”. Other than the Series A Loan and the Series C Loan(s), the Corporation has no significant assets and does not have any ongoing business operations of its own. It is not currently contemplated that the Corporation will issue any securities, other than Common Shares (as defined below) to Bell Aliant GP and preference shares, to any person, including debt securities.

The following diagram depicts significant entities within the Bell Aliant Group, along with their jurisdiction of organization and ownership. For simplicity, this diagram omits certain subsidiaries.



## BUSINESS OF THE BELL ALIANT GROUP

The Bell Aliant Group's principal business is carried on through Bell Aliant LP. Bell Aliant LP is one of North America's largest regional communications providers and, together with its predecessors, has been serving customers for over a century. With its *FibreOP*<sup>TM</sup> services, Bell Aliant LP is the first telecommunications provider in Canada to cover an entire city with fibre-to-the-home (FTTH) technology. Bell Aliant LP offers a complete range of innovative information, communication and technology services including voice, data, Internet, TV, video, wireless and value-added business solutions to its customers across six Canadian provinces.

Additional information about the Bell Aliant Group's business is included in the documents incorporated by reference into this short form prospectus.

## DESCRIPTION OF INDEBTEDNESS

### Amended and Restated Credit Facility

Bell Aliant LP is a party to a second amended and restated credit agreement (the "**Credit Facility**") with certain financial institutions dated June 6, 2011. The Credit Facility comprises a four-year revolving term facility for up to an aggregate amount of \$750 million (with an uncommitted expansion facility amount of up to an additional \$500 million). The term of the Credit Facility may be extended for one additional year with the consent of a specified percentage of the lenders. As of September 30, 2011, there were no amounts drawn under the Credit Facility, and \$160.5 million in letters of credit had been issued under the Credit Facility in connection with the Bell Aliant Group's pension plans and for general corporate purposes.

The Credit Facility is unsecured and is guaranteed by Bell Aliant, Bell Aliant GP, 6583458 Canada Inc. ("**6583458**") and the Corporation. The Credit Facility is used for general corporate purposes including commercial paper backup and the issuance of letters of credit and letters of guarantee, as well as to fund contributions or, under certain circumstances, letters of credit required to eliminate the pension plan deficits of the defined benefit pension plans of Bell Aliant LP and Bell Aliant GP, its general partner, over a five to 15-year statutory period, as applicable to such plans. Each loan under the Credit Facility is repayable without any prepayment penalties and will, at Bell Aliant LP's option, bear interest at a floating rate based on the Canadian prime or U.S. base rates of a Canadian chartered bank, LIBOR or at the rate of bankers' acceptances, as applicable to the types of draws made.



The Credit Facility is subject to customary terms and conditions for borrowers and transactions of this nature.

### Commercial Paper Program

Bell Aliant LP has a \$400 million commercial paper program and, as at September 30, 2011, had \$262 million outstanding thereunder. Proceeds of the commercial paper program from time to time have been used to reduce other borrowings and to fund working capital needs and investments.

### Medium Term Notes

As of the date of this short form prospectus, Bell Aliant LP has \$2,500.0 million aggregate principal amount of medium term notes (the “Notes”) outstanding, issued in seven tranches. The Notes were issued under a trust indenture dated as of September 14, 2006, as supplemented on January 1, 2011 and as further amended or supplemented from time to time (the “Bell Aliant LP MTN Indenture”) among Bell Aliant LP, Bell Aliant GP, Bell Aliant, 6583458, as credit supporters, and CIBC Mellon Trust Company, as trustee, and were offered and sold to the public under shelf prospectuses of Bell Aliant LP. Bell Aliant LP’s indebtedness under the Bell Aliant LP MTN Indenture is guaranteed by Bell Aliant, Bell Aliant GP and 6583458 and is expected to be guaranteed by the Corporation.

### NorthernTel, Limited Partnership and Télébec, Limited Partnership Debentures

As of the date of this short form prospectus, Télébec, Limited Partnership (“Télébec LP”) has \$100 million aggregate principal amount of debentures (the “Télébec Debentures”) outstanding. The Télébec Debentures were issued under a trust indenture dated as of August 31, 1976 between Télébec LP and Computershare Trust Company of Canada, as trustee, as such indenture has been amended and supplemented.

As of the date of this short form prospectus, Télébec LP’s sister partnership, NorthernTel, Limited Partnership (“NorthernTel LP”), has approximately \$35.6 million aggregate principal amount of debentures (the “NorthernTel Debentures”) outstanding. The NorthernTel Debentures were issued under a trust indenture dated as of September 1, 1951 between NorthernTel LP and Computershare Trust Company of Canada, as trustee, as such indenture has been amended and supplemented.

The Télébec Debentures and the NorthernTel Debentures are consolidated into the financial position and results of Bell Aliant GP and its predecessor Bell Aliant Holdings LP. For more information, refer to note 12 to the consolidated financial statements of Bell Aliant Holdings LP for the year ended December 31, 2010, which are incorporated by reference into this short form prospectus.

### PRIOR SALES

During the twelve-month period prior to the date of this short form prospectus, the only issuance of preference shares of the Corporation, or securities convertible into preference shares of the Corporation, was the issuance of 11,500,000 Series A Shares in March 2011 at a price of \$25.00 per share for aggregate gross proceeds of \$287.5 million. See “Intercorporate Relationships”.

### TRADING PRICE AND VOLUME OF THE CORPORATION’S SECURITIES

The Series A Shares are listed on the TSX and commenced trading under the symbol “BAF.PR.A” on March 15, 2011. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate trading volumes of the Series A Shares as reported on the TSX:

<u>Month</u>	<u>High (Cdn\$)</u>	<u>Low (Cdn\$)</u>	<u>Volume</u>
March (15-31)	25.09	24.70	785,415
April	25.49	25.03	577,699
May	25.99	25.12	343,021
June	25.44	25.00	345,273
July	25.80	25.02	239,901
August	25.69	25.05	242,796
September	25.81	25.10	151,607

<u>Month</u>	<u>High (Cdn\$)</u>	<u>Low (Cdn\$)</u>	<u>Volume</u>
October	25.84	25.16	222,032
November (1-28)	25.73	25.25	209,377

## DESCRIPTION OF THE SHARE CAPITAL OF THE CORPORATION

The authorized capital of the Corporation consists of an unlimited number of common shares (the “**Common Shares**”) and an unlimited number of preference shares issuable in series. As at November 28, 2011, there were 227,768,734 Common Shares, 11,500,000 Series A Shares and no Series B Shares issued and outstanding. The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares and the preference shares of the Corporation. Specific provisions relating to the Series C Shares and the Series D Shares are summarized under “Details of the Offering – Description of the Series C Shares” and “—Description of the Series D Shares”.

### Common Shares

Holders of Common Shares are entitled to one vote per share at meetings of shareholders of the Corporation, to receive dividends if, as and when declared by the Board of Directors (subject to the rights of shares, if any, having priority over the Common Shares, which includes the Series C and D Preferred Shares) and to receive *pro rata* the remaining property and assets of the Corporation upon its liquidation, dissolution or winding-up, subject to the rights of holders of shares, if any, having priority over the Common Shares, which includes the Series C and D Preferred Shares. Bell Aliant GP owns all of the outstanding Common Shares.

### Preference Shares

Each series of preference shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board of Directors prior to the issuance thereof. Holders of preference shares, except as required by law, will not be entitled to vote at meetings of shareholders of the Corporation except as specified in the applicable rights, privileges, restrictions and conditions thereof. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, if applicable, the preference shares are entitled to preference over Common Shares and any other shares ranking junior to the preference shares from time to time and may also be given such other preferences over the Common Shares and any other shares ranking junior to the preference shares as may be determined at the time of creation of a particular series.

## CONSOLIDATED CAPITALIZATION OF BELL ALIANT GP

The following table sets forth the consolidated capitalization of Bell Aliant GP as at September 30, 2011, before giving effect to this Offering, and the unaudited pro forma consolidated capitalization of Bell Aliant GP as at September 30, 2011, after giving effect to this Offering, as if this Offering had been completed on September 30, 2011.

	<u>As at September 30, 2011 before giving effect to the Offering</u>	<u>As at September 30, 2011, after giving effect to the Offering<sup>(1)</sup></u>
	<i>(in millions of dollars, except share data)</i>	
Voting Common Shares .....	\$3,651.6	\$3,651.6
	101,373,833 shares	101,373,833 shares
Other accumulated capital <sup>(2)</sup> .....	\$(108.9)	\$(8.9)
Total capitalization/pro forma capitalization .....	<u>\$3,542.7</u>	<u>\$3,642.7</u>

Notes:

- (1) Gives effect to the issuance of 4,000,000 Series C Shares at \$25.00 per share pursuant to the Offering before deducting the Underwriters’ Fee and expenses of the Offering and assuming no exercise of the Over-Allotment Option. Does not include long-term debt as there would be no material change in long-term debt from September 30, 2011 arising from the Offering.
- (2) Balance represents the total of contributed surplus, non-controlling interests and total accumulated earnings and other comprehensive loss.

## CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets forth the Corporation's consolidated capitalization as of September 30, 2011 on an actual basis and on a pro forma basis as adjusted to give effect to the Offering:

	As at September 30, 2011, before giving effect to the Offering	As at September 30, 2011, after giving effect to the Offering <sup>(1)</sup>
	<i>(in millions of dollars, except share data)</i>	
<b>Indebtedness:</b>	\$-	\$-
<b>Shareholders' equity:</b>		
Common Shares (authorized – unlimited: outstanding – 227,768,734; as adjusted to give effect to the Offering – 227,768,734):	-	-
Preference Shares (authorized – unlimited: outstanding – 11,500,000; as adjusted to give effect to the Offering – 15,500,000):	\$281.0	\$381.0
<b>Total Capitalization:</b>	\$281.0	\$381.0

Notes:

- (1) Gives effect to the issuance of 4,000,000 Series C Shares at \$25.00 per share before deducting the Underwriters' fee and the expenses of the Offering and assuming no exercise of the Over-Allotment Option.

### USE OF PROCEEDS

The net proceeds from the issue and sale of the Series C Shares will amount to approximately \$96.6 million, assuming no exercise of the Over-Allotment Option, and \$111.1 million if the Over-Allotment Option is exercised in full (assuming in each case no sales of Series C Shares to certain institutions) and after deducting the Underwriters' fee and estimated expenses of the Offering. The Corporation intends to lend the net proceeds from the issue and sale of the Series C Shares to Bell Aliant GP, which in turn intends to lend substantially all of such amount to Bell Aliant LP to be used to make a lump-sum voluntary contribution to certain of the Bell Aliant Group's pension plans and for general corporate purposes. The Series C Loans will be repayable on demand by the Corporation.

All expenses relating to the Offering and any compensation paid to the Underwriters will be paid by the Corporation.

### DETAILS OF THE OFFERING

#### Description of the Series C Shares

The following is a summary of certain provisions of the Series C Shares as a series.

#### *Definition of Terms*

The following definitions are relevant to the Series C Shares.

“**Annual Fixed Dividend Rate**” means, for any Subsequent Fixed Rate Period, the rate (expressed as a percentage rate rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up to 0.00001%)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 3.09%.

“**Bloomberg Screen GCAN5YR Page**” means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page) for purposes of displaying Government of Canada Yields.

“**Business Day**” means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the Cities of Halifax, Nova Scotia and Toronto, Ontario, for the transaction of banking business.

“**Fixed Rate Calculation Date**” means, for any Subsequent Fixed Rate Period, the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period.

“**Government of Canada Yield**” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers, selected by the Corporation, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

“**Initial Fixed Rate Period**” means the period from and including the Closing Date up to, but excluding, March 31, 2017.

“**Subsequent Fixed Rate Period**” means for the initial Subsequent Fixed Rate Period, the period from and including March 31, 2017 up to, but excluding, March 31, 2022 and for each succeeding Subsequent Fixed Rate Period, the period from and including the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period up to, but excluding, March 31 in the fifth year thereafter.

#### *Issue Price*

The Series C Shares will have an issue price of \$25.00 per share.

#### *Dividends*

During the Initial Fixed Rate Period, the holders of the Series C Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last Business Day of March, June, September and December in each year during the Initial Fixed Rate Period, at an annual rate equal to \$1.1375 per share. The initial dividend, if declared, will be payable on March 31, 2012 and will be \$0.3584 per share, based on the anticipated Closing Date of December 7, 2011.

During each Subsequent Fixed Rate Period after the Initial Fixed Rate Period, the holders of Series C Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last Business Day of March, June, September and December in each year during the Subsequent Fixed Rate Period, in an annual amount per share determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Corporation as of the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding on the Corporation and all holders of Series C Shares. The Corporation will, on the Fixed Rate Calculation Date (or the next following Business Day), give written notice of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period to the registered holders of the then outstanding Series C Shares.

Payments of dividends and other amounts in respect of the Series C Shares will be made by the Corporation to CDS, or its nominee, as the case may be, as registered holder of the Series C Shares. As long as CDS, or its nominee, is the registered holder of the Series C Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series C Shares for the purpose of receiving payment on the Series C Shares.

#### *Series C Guarantee*

Each Series C Share will be fully and unconditionally guaranteed by Bell Aliant GP as to (i) the payment of dividends, if, as and when declared, (ii) the payment of amounts due on redemption of the Series C Shares, and (iii) the payment of the amounts due on the liquidation, dissolution or winding-up of the Corporation (the “**Series C Guarantee**”). Under the Series C Guarantee, holders of the Series C Shares will be entitled to receive payment from Bell Aliant GP immediately after demand made in writing by a holder, but in any event within 15 days of any failure by the Corporation to make such payments when due. The obligations of Bell Aliant GP under the Series C Guarantee will constitute direct, unsecured, subordinated obligations of Bell Aliant GP. As long as the declaration or payment of dividends on the Series C Shares is in arrears, Bell Aliant GP will not pay any dividends on the equity securities of Bell Aliant GP. In addition, Bell Aliant GP will not convey, distribute or transfer, exchange, or lease, all or substantially all of its properties, securities and assets to any person or persons unless the transferee of such assets or the successor to Bell Aliant GP

assumes Bell Aliant GP's obligations under the Series C Guarantee. In such event, Bell Aliant GP shall be discharged of all obligations and covenants under the Series C Guarantee (except in the case of a lease, in which case Bell Aliant GP shall remain liable for all such obligations and covenants). The Series C Guarantee does not otherwise restrict Bell Aliant GP from incurring debt or undertaking future actions or transactions. The Series C Guarantee will be subordinated to all of the indebtedness for borrowed money, or guarantees thereof, of or by Bell Aliant GP (in the event of maturity or default thereunder) and to all unsubordinated indebtedness, liabilities and obligations of Bell Aliant GP in the event of the liquidation, dissolution, reorganization or winding-up of Bell Aliant GP, and will rank senior to the Bell Aliant GP common shares. The Series C Guarantee will rank on a *pari passu* basis with the obligations of Bell Aliant GP under the Series D Guarantee (as defined below, and together with the Series C Guarantee, the "Guarantees") in respect of the Series D Shares, and under similar guarantees that may be provided by Bell Aliant GP in respect of other series of preference shares of the Corporation (including similar guarantees provided in respect of the Series A Shares and the Series B Shares).

#### *Redemption*

Except as noted below, the Series C Shares will not be redeemable by the Corporation prior to March 31, 2017. On March 31, 2017 and on March 31 every five years thereafter (or, if such date is not a Business Day, the immediately following Business Day), and subject to certain other restrictions set out below under the heading "Description of the Series C Shares – Restrictions on Dividends and Retirement of Shares", the Corporation may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of the outstanding Series C Shares by payment in cash of a per share sum equal to \$25.00, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by the Corporation).

If less than all of the outstanding Series C Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a *pro rata* basis (disregarding fractions) or, if such shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board of Directors may, in its sole discretion, determine by resolution.

For so long as the Series C Guarantee remains in full force and effect, in the event of the liquidation, dissolution or winding-up of Bell Aliant GP, whether voluntary or involuntary, or any other distribution of assets of Bell Aliant GP among its securityholders for the purpose of winding up its affairs (other than, for greater certainty, in a transaction where a successor assumes the obligations of the Guarantor under the Series C Guarantee in accordance with its terms), the Series C Shares will (subject to applicable law) be required to be redeemed by the Corporation by payment in cash of a per share sum equal to \$25.00, together with all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation).

The Series C Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series C Shares. See "Risk Factors".

#### *Conversion of Series C Shares into Series D Shares*

Subject to the right of the Corporation to redeem the Series C Shares as described above, each holder of Series C Shares will have the right, at its option, on March 31, 2017 and on March 31 every five years thereafter (a "**Series C Conversion Date**"), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Corporation of evidence of payment of the tax (if any) payable, all or any of the Series C Shares into Series D Shares on the basis of one Series D Share for each Series C Share converted. If a Series C Conversion Date falls on a day that is not a Business Day, such Series C Conversion Date will be the immediately following Business Day. The conversion of Series C Shares may be effected upon written notice (each notice, an "**Election Notice**") given by the registered holder of the Series C Shares not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding the applicable Series C Conversion Date. Once received by the Corporation, an Election Notice is irrevocable.

The Corporation will, at least 30 days and not more than 60 days prior to the applicable Series C Conversion Date, give notice in writing to the then registered holders of the Series C Shares of the Series C Conversion Date and a form of Election Notice. On the 30th day prior to each Series C Conversion Date (or the next following Business Day), the Corporation will give notice in writing to the then registered holders of the Series C Shares of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate applicable to the Series D Shares for the next succeeding Quarterly Floating Rate Period (as these terms are defined below).

If the Corporation gives notice to the registered holders of the Series C Shares of the redemption on a Series C Conversion Date of all the Series C Shares, the Corporation will not be required to give notice as provided hereunder to the registered holders of the Series C Shares of the Annual Fixed Dividend Rate, the Floating Quarterly Dividend Rate or of the conversion right of holders of Series C Shares and the right of any holder of Series C Shares to convert such Series C Shares will cease and terminate in that event.

Holders of Series C Shares will not be entitled to convert their shares into Series D Shares if the Corporation determines that there would remain outstanding on a Series C Conversion Date fewer than 1,000,000 Series D Shares, after having taken into account the Election Notice in respect of all Series C Shares tendered for conversion into Series D Shares and the Election Notice in respect of all Series D Shares tendered for conversion into Series C Shares. The Corporation will give notice in writing to all affected holders of Series C Shares of their inability to convert their Series C Shares at least seven days prior to the applicable Series C Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series C Conversion Date fewer than 1,000,000 Series C Shares, after having taken into account all Election Notices in respect of Series C Shares tendered for conversion into Series D Shares and all Election Notices in respect of Series D Shares tendered for conversion into Series C Shares, then, all, but not part, of the remaining outstanding Series C Shares will be automatically converted into Series D Shares on the basis of one Series D Share for each Series C Share, on the applicable Series C Conversion Date. The Corporation will give notice in writing to this effect to the then registered holders of such remaining Series C Shares at least seven days prior to the applicable Series C Conversion Date.

Upon exercise by a registered holder of its right to convert Series C Shares into Series D Shares (and upon an automatic conversion), the Corporation reserves the right not to issue Series D Shares to any person whose address is in, or whom the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Corporation to take any action to comply with the securities or analogous laws of such jurisdiction.

#### *Purchase for Cancellation*

Subject to applicable law and to the provisions described below under “Description of the Series C Shares – Restrictions on Dividends and Retirement of Shares”, the Corporation may at any time purchase for cancellation all or any number of the Series C Shares.

#### *Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the Series C Shares, the holders of the Series C Shares will be entitled to receive an amount equal to \$25.00 per share, together with an amount equal to all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Series C Shares. Upon payment of such amounts, the holders of the Series C Shares will not be entitled to share in any further distribution of the assets of the Corporation.

The payment of the amount to be paid to the holders of the Series C Shares upon liquidation, dissolution and winding-up of the Corporation will be fully and unconditionally guaranteed by Bell Aliant GP. See above under the heading “ – Description of the Series C Shares – Series C Guarantee”.

#### *Priority*

The Series C Shares rank senior to the Common Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs. The Series C Shares rank *pari passu* with every other series of preference shares of the Corporation with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

#### *Restrictions on Dividends and Retirement of Shares*

So long as any of the Series C Shares are outstanding, the Corporation will not, without the approval of the holders of the Series C Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Series C Shares) on any shares of the Corporation ranking as to dividends junior to the Series C Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to capital and dividends junior to the Series C Shares, redeem or call for redemption, purchase for cancellation or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Series C Shares;
- (c) redeem or call for redemption, purchase for cancellation, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series C Shares then outstanding; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any preference shares ranking as to dividends or capital on a parity with the Series C Shares,

unless, in each such case, all accrued and unpaid dividends on the Series C Shares up to and including the dividend payable for the last completed period for which dividends were payable on the Series C Shares and on all other shares of the Corporation ranking prior to or on a parity with the Series C Shares with respect to the payment of dividends have been declared and paid or moneys set apart for payment.

#### *Shareholder Approvals*

In addition to any other approvals required by law (including any approvals required by the TSX), the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series C Shares as a series and any other approval to be given by the holders of the Series C Shares may be given by a resolution signed by all holders of the Series C Shares, or by a resolution passed by the affirmative vote of not less than two-thirds of the votes cast by the holders who voted in respect of that resolution at a meeting of the holders duly called for that purpose and at which the holders of at least 10% of the outstanding Series C Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series C Shares then present in person or represented by proxy would form the necessary quorum. At any meeting of holders of Series C Shares as a series, each such holder as at the applicable record date shall be entitled to one vote in respect of each Series C Share held by such holder.

#### *Issue of Additional Series of Preference Shares*

The Corporation may issue other series of preference shares ranking on a parity with the Series C Shares without the authorization of the holders of the Series C Shares.

#### *Voting Rights with Respect to the Corporation*

The holders of the Series C Shares will not (except as otherwise provided by law and, except as noted below, in respect of meetings of the holders of preference shares as a class and meetings of holders of Series C Shares as a series) be entitled to receive notice of, attend, or vote at any meeting of shareholders of the Corporation, unless and until the Corporation shall have failed to pay six quarterly dividends on the Series C Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any moneys of the Corporation properly applicable to the payment of such dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series C Shares as at the applicable record date will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders which takes place more than sixty (60) days after the date on which the first such failure first occurred, other than meetings at which only holders of another specified class or series are entitled to vote, and be entitled to vote together with all of the voting shares of the Corporation on the basis of one vote in respect of each Series C Share held by such holder, until all such arrears of such dividends have been paid, whereupon such rights shall cease. The holders of the Series C Shares, together with the holders of the Series D Shares and the holders of any other preference shares of the Corporation (including the Series A Shares and the Series B Shares) with respect to which any director nomination or appointment right as a result of the failure of the Corporation to pay dividends is then in force, as applicable, will also have the right to nominate, together as a single class, one candidate for election as a director of Bell Aliant in the same circumstances, and to cause Bell Aliant to appoint such candidate as a director if, at the time of such non-payment, BCE Inc. does not have the right to direct Bell Aliant with respect to the nomination of a majority of the nominees to stand for election as directors of Bell Aliant. See "— Director Nomination and Appointment Rights With Respect to Bell Aliant".

Subject to applicable law, holders of the Series C Shares will not be entitled to vote separately as a class or series on a proposal to amend the articles of the Corporation to (a) increase any maximum number of authorized shares of a class or series having rights or privileges equal to or superior to the Series C Shares or (b) create a new class or series of shares equal or superior to the Series C Shares.

#### *Tax Election*

The Corporation will elect, in the manner and within the time provided under Part VI.1 of the *Income Tax Act* (Canada) (the “**Tax Act**”), to pay or cause payment of the tax, under Part VI.1 of the Tax Act at a rate such that the corporate holders of Series C Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

#### *Business Day*

If any action is required to be taken by the Corporation on a day that is not a Business Day, then such action will be required to be taken on the next succeeding day that is a Business Day.

### **Description of the Series D Shares**

The following is a summary of certain provisions attaching to the Series D Shares as a series.

#### *Definition of Terms*

The following definitions are relevant to the Series D Shares.

“**Business Day**” means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the Cities of Halifax, Nova Scotia and Toronto, Ontario, for the transaction of banking business.

“**Floating Quarterly Dividend Rate**” means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rate rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up to 0.00001%) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 3.09% (calculated on the basis of the actual number of days in such Quarterly Floating Rate Period divided by 365).

“**Floating Rate Calculation Date**” means, for any Quarterly Floating Rate Period, the 30<sup>th</sup> day prior to the first day of such Quarterly Floating Rate Period.

“**Quarterly Commencement Date**” means the last day of each of March, June, September and December in each year.

“**Quarterly Floating Rate Period**” means, for the initial Quarterly Floating Rate Period, the period from and including March 31, 2017 up to, but excluding, June 30, 2017, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period up to, but excluding, the next succeeding Quarterly Commencement Date.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three-month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

#### *Dividends*

The holders of the Series D Shares will be entitled to receive floating rate cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last Business Day of March, June, September and December in each year, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by \$25.00.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by the Corporation on the applicable Floating Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series D Shares. The Corporation will, on the relevant Floating Rate Calculation Date (or the next following Business Day), give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series D Shares.



Payments of dividends and other amounts in respect of the Series D Shares will be made by the Corporation to CDS, or its nominee, as the case may be, as registered holder of the Series D Shares. As long as CDS, or its nominee, is the registered holder of the Series D Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series D Shares for the purpose of receiving payment on the Series D Shares.

#### *Series D Guarantee*

Each Series D Share will be fully and unconditionally guaranteed by Bell Aliant GP as to (i) the payment of dividends, if, as and when declared, (ii) the payment of amounts due on redemption of the Series D Shares, and (iii) the payment of the amounts due on the liquidation, dissolution or winding-up of the Corporation (the “**Series D Guarantee**”). Under the Series D Guarantee, holders of the Series D Shares will be entitled to receive payment from Bell Aliant GP immediately after demand made in writing by a holder, but in any event within 15 days of any failure by the Corporation to make such payments when due. The obligations of Bell Aliant GP under the Series D Guarantee will constitute direct, unsecured, subordinated obligations of Bell Aliant GP. As long as the declaration or payment of dividends on the Series D Shares is in arrears, Bell Aliant GP will not pay any dividends on the equity securities of Bell Aliant GP. In addition, Bell Aliant GP will not convey, distribute or transfer, exchange, or lease, all or substantially all of its properties, securities and assets to any person or persons unless the transferee of such assets or the successor to Bell Aliant GP assumes Bell Aliant GP’s obligations under the Series D Guarantee. In such event, Bell Aliant GP shall be discharged of all obligations and covenants under the Series D Guarantee (except in the case of a lease, in which case Bell Aliant GP shall remain liable for all such obligations and covenants). The Series D Guarantee does not otherwise restrict Bell Aliant GP from incurring debt or undertaking future actions or transactions. The Series D Guarantee will be subordinated to all of the indebtedness for borrowed money, or guarantees thereof, of or by Bell Aliant GP (in the event of maturity or default thereunder) and to all unsubordinated indebtedness, liabilities and obligations of Bell Aliant GP in the event of liquidation, dissolution, reorganization or winding-up of Bell Aliant GP, and will rank senior to the Bell Aliant GP common shares. The Series D Guarantee will rank on a *pari passu* basis with the obligations of Bell Aliant GP under the Series C Guarantee, and under similar guarantees that may be provided by Bell Aliant GP in respect of other series of preference shares of the Corporation (including similar guarantees provided in respect of the Series A Shares and the Series B Shares).

#### *Redemption*

Except as noted below, the Series D Shares will not be redeemable by the Corporation on or prior to March 31, 2017. Subject to certain other restrictions set out below under the heading “Description of the Series D Shares – Restrictions on Dividends and Retirement of Shares”, the Corporation may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of the outstanding Series D Shares by payment in cash of a per share sum equal to (i) \$25.00 in the case of redemptions on March 31, 2022 and on March 31 every five years thereafter (each a “**Series D Conversion Date**”), or (ii) \$25.50 in the case of redemptions on any date which is not a Series D Conversion Date after March 31, 2017, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by the Corporation). If a Series D Conversion Date falls on a day that is not a Business Day, such Series D Conversion Date will be the immediately following Business Day.

If less than all of the outstanding Series D Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a *pro rata* basis (disregarding fractions) or, if such shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board of Directors may, in its sole discretion, determine by resolution.

For so long as the Series D Guarantee remains in full force and effect, in the event of the liquidation, dissolution or winding-up of Bell Aliant GP, whether voluntary or involuntary, or any other distribution of assets of Bell Aliant GP among its securityholders for the purpose of winding up its affairs (other than, for greater certainty, in a transaction where a successor assumes the obligations of the Guarantor under the Series D Guarantee in accordance with its terms), the Series D Shares will (subject to applicable law) be required to be redeemed by the Corporation by payment in cash of a per share sum equal to \$25.00, together with all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation).

The Series D Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series D Shares. See “Risk Factors”.

### *Conversion of Series D Shares into Series C Shares*

Subject to the right of the Corporation to redeem the Series D Shares as described above, each holder of Series D Shares will have the right, at its option, on any Series D Conversion Date, to convert, subject to the restrictions on conversion described below and the payment or delivery to the Corporation of evidence of payment of the tax (if any) payable, all or any of the Series D Shares into Series C Shares on the basis of one Series C Share for each Series D Share converted. If a Series D Conversion Date falls on a day that is not a Business Day, such Series D Conversion Date will be the immediately following Business Day. The conversion of Series D Shares may be effected upon an Election Notice given by the registered holder of the Series D Shares not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding the applicable Series D Conversion Date. Once received by the Corporation, an Election Notice is irrevocable.

The Corporation will, at least 30 days and not more than 60 days prior to the applicable Series D Conversion Date, give notice in writing to the then registered holders of the Series D Shares of the Series D Conversion Date and a form of Election Notice. On the 30th day prior to each Series D Conversion Date (or the next following Business Day), the Corporation will give notice in writing to the then registered holders of Series D Shares of the Floating Quarterly Dividend Rate for the next Quarterly Floating Rate Period and of the Annual Fixed Dividend Rate applicable to the Series C Shares for the next Subsequent Fixed Rate Period.

If the Corporation gives notice to the registered holders of the Series D Shares of the redemption on a Series D Conversion Date of all the Series D Shares, the Corporation will not be required to give notice as provided hereunder to the registered holders of the Series D Shares of the Annual Fixed Dividend Rate, the Floating Quarterly Dividend Rate or of the conversion right of holders of Series D Shares and the right of any holder of Series D Shares to convert such Series D Shares will cease and terminate in that event.

Holders of Series D Shares will not be entitled to convert their shares into Series C Shares if the Corporation determines that there would remain outstanding on a Series D Conversion Date fewer than 1,000,000 Series C Shares, after having taken into account the Election Notice in respect of all Series D Shares tendered for conversion into Series C Shares and the Election Notice in respect of all Series C Shares tendered for conversion into Series D Shares. The Corporation will give notice in writing to all affected holders of Series D Shares of their inability to convert their Series D Shares at least seven days prior to the applicable Series D Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series D Conversion Date fewer than 1,000,000 Series D Shares, after having taken into account all Election Notices in respect of Series D Shares tendered for conversion into Series C Shares and all Election Notices in respect of Series C Shares tendered for conversion into Series D Shares, then, all, but not part, of the remaining outstanding Series D Shares will be automatically converted into Series C Shares on the basis of one Series C Share for each Series D Share, on the applicable Series D Conversion Date. The Corporation will give notice in writing to this effect to the then registered holders of such remaining Series D Shares at least seven days prior to the applicable Series D Conversion Date.

Upon exercise by a registered holder of its right to convert Series D Shares into Series C Shares (and upon an automatic conversion), the Corporation reserves the right not to issue Series C Shares to any person whose address is in, or whom the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Corporation to take any action to comply with the securities or analogous laws of such jurisdiction.

### *Purchase for Cancellation*

Subject to applicable law and to the provisions described below under “Description of the Series D Shares – Restrictions on Dividends and Retirement of Shares”, the Corporation may at any time purchase for cancellation all or any number of the Series D Shares.

### *Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the Series D Shares, the holders of the Series D Shares will be entitled to receive an amount equal to \$25.00 per share, together with an amount equal to all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Series D Shares. Upon payment of such amounts, the holders of the Series D Shares will not be entitled to share in any further distribution of the assets of the Corporation.

The payment of the amount to be paid to the holders of the Series D Shares upon liquidation, dissolution and winding-up of the Corporation will be fully and unconditionally guaranteed by Bell Aliant GP. See above under the heading “— Description of the Series D Shares – Series D Guarantee”.

#### *Priority*

The Series D Shares rank senior to the Common Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs. The Series D Shares rank *pari passu* with every other series of preference shares of the Corporation with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

#### *Restrictions on Dividends and Retirement of Shares*

So long as any of the Series D Shares are outstanding, the Corporation will not, without the approval of the holders of the Series D Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Series D Shares) on any shares of the Corporation ranking as to dividends junior to the Series D Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to capital and dividends junior to the Series D Shares, redeem or call for redemption, purchase for cancellation or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Series D Shares;
- (c) redeem or call for redemption, purchase for cancellation, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series D Shares then outstanding; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any preference shares ranking as to dividends or capital on a parity with the Series D Shares,

unless, in each such case, all accrued and unpaid dividends on the Series D Shares up to and including the dividend payable for the last completed period for which dividends were payable on the Series D Shares and on all other shares of the Corporation ranking prior to or on a parity with the Series D Shares with respect to the payment of dividends have been declared and paid or moneys set apart for payment.

#### *Shareholder Approvals*

In addition to any other approvals required by law (including any approvals required by the TSX), the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series D Shares as a series and any other approval to be given by the holders of the Series D Shares may be given by a resolution signed by all holders of the Series D Shares, or by a resolution passed by the affirmative vote of not less than two-thirds of the votes cast by the holders who voted in respect of that resolution at a meeting of the holders duly called for that purpose and at which the holders of at least 10% of the outstanding Series D Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series D Shares then present in person or represented by proxy would form the necessary quorum. At any meeting of holders of Series D Shares as a series, each such holder shall be entitled to one vote in respect of each Series D Share held by such holder.

#### *Issue of Additional Series of Preference Shares*

The Corporation may issue other series of preference shares ranking on parity with the Series D Shares without the authorization of the holders of the Series D Shares.

### *Voting Rights with Respect to the Corporation*

The holders of the Series D Shares will not (except as otherwise provided by law and, except as noted below, in respect of meetings of the holders of preference shares as a class and meetings of holders of Series D Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation, unless and until the Corporation shall have failed to pay six quarterly dividends on the Series D Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any moneys of the Corporation properly applicable to the payment of such dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series D Shares as at the applicable record date will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders which takes place more than sixty (60) days after the date on which the first such failure first occurred, other than meetings at which only holders of another specified class or series are entitled to vote, and be entitled to vote together with all of the voting shares of the Corporation on the basis of one vote in respect of each Series D Share held by such holder, until all such arrears of such dividends shall have been paid, whereupon such rights shall cease. The holders of the Series D Shares, together with the holders of the Series C Shares and the holders of any other preference shares of the Corporation (including the Series A Shares and the Series B Shares) with respect to which any director nomination or appointment right as a result of the failure of the Corporation to pay dividends is then in force, as applicable, will also have the right to nominate, together as a single class, one candidate for election as a director of Bell Aliant in the same circumstances, and to cause Bell Aliant to appoint such candidate as a director if, at the time of such non-payment, BCE Inc. does not have the right to direct Bell Aliant with respect to the nomination of a majority of the nominees to stand for election as directors of Bell Aliant. See “—Director Nomination and Appointment Rights With Respect to Bell Aliant”.

Subject to applicable law, holders of the Series D Shares will not be entitled to vote separately as a class or series on a proposal to amend the articles of the Corporation to (a) increase any maximum number of authorized shares of a class or series having rights or privileges equal to or superior to the Series D Shares or (b) create a new class or series of shares equal or superior to the Series D Shares.

### *Tax Election*

The Corporation will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax, under Part VI.1 of the Tax Act at a rate such that the corporate holders of Series D Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

### *Business Day*

If any action is required to be taken by the Corporation on a day that is not a Business Day, then such action will be required to be taken on the next succeeding day that is a Business Day.

### **Director Nomination and Appointment Rights with Respect to Bell Aliant**

In connection with the Series A Preferred Share Offering, Bell Aliant and the Corporation entered into a nomination and appointment agreement dated March 15, 2011 (the “**Nomination and Appointment Agreement**”) which sets forth certain rights of holders of preference shares of the Corporation to select a person to be nominated for election as a director of Bell Aliant and the procedures applicable thereto.

In the event that the Corporation shall have failed to pay six quarterly dividends on the Series C Shares and/or the Series D Shares, as applicable, at the applicable dividend rate for such shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any moneys of the Corporation properly applicable to the payment of such dividends, the holders of record of Series C Shares and/or Series D Shares, as applicable, together with the holders of record of any other preference shares of the Corporation (including the Series A Shares and the Series B Shares, as applicable) with respect to which any director nomination or appointment right as a result of the failure of the Corporation to pay dividends is then in force, shall have the right, together as a single class, to direct the Corporation to propose one nominee to stand for election as a director of Bell Aliant, in the manner set out below, or to cause the board of directors of Bell Aliant to appoint an additional director to its board, as selected by such holders, in the circumstances and in the manner set forth below (collectively, “**Nomination and Appointment Rights**”). Such nominee must be independent for purposes of applicable securities laws, qualified to act as a director under the CBCA and the requirements of any stock exchange or market on which Bell Aliant's securities may be listed or quoted from time to time, and must be a resident Canadian for purposes of the CBCA and Canadian for purposes of any other applicable law (including the *Telecommunications Act*, the *Broadcasting Act* and the *Radiocommunication Act*). This right to direct the Corporation to propose a

nominee to stand for election as a director of Bell Aliant shall cease with respect to the Series C and/or Series D Shares, as applicable, upon payment of all such accrued but unpaid dividends.

Under the Nomination and Appointment Agreement, Bell Aliant has agreed to nominate the candidate selected by the holders of the applicable series of preference shares of the Corporation (including the Series A Shares, Series B Shares, Series C Shares and/or Series D Shares, as applicable) with respect to which any director nomination or appointment right as a result of the failure of the Corporation to pay dividends is then in force and designated by the Corporation, in order to be considered for election by shareholders of Bell Aliant eligible to vote in accordance with the articles and by-laws of Bell Aliant, at meetings of shareholders of Bell Aliant at which directors are to be elected and which occur not less than ninety (90) days after the date on which the Corporation's failure to pay the six quarterly dividends, as set forth above, first occurred. When such dividends are paid in full, the foregoing right shall be suspended. The Nomination and Appointment Rights will become effective again at such time as the Corporation shall again fail to pay the applicable dividend(s) for any six quarters, as described above. In the absence of instructions from the applicable holders of preference shares of the Corporation as to a nominee, the Corporation will not put forward a nominee for consideration for election at an applicable shareholders' meeting of Bell Aliant.

If Nomination and Appointment Rights become exercisable, the Corporation will, in good faith, select at least two qualified and independent nominee candidates, notify the holders of record of any preference shares of the Corporation entitled to such Nomination and Appointment Rights (including the Series C Shares and/or Series D Shares, as applicable) of such candidates and provide a means for such holders to vote for or select a nominee from among such candidates, or to vote for or select a candidate of their own choice (provided such candidate meets the independence and eligibility criteria set forth above), in a manner acceptable to the Corporation, acting reasonably, having regard to the timelines in which nominees for election as a director of Bell Aliant must be determined and materials for the applicable meeting of Bell Aliant shareholders must be finalized and delivered or otherwise made available.

In addition to the foregoing, if the Nomination and Appointment Rights become exercisable at a time when BCE Inc. does not have the right to direct Bell Aliant with respect to the nomination of a majority of the nominees to stand for election as directors of Bell Aliant, Bell Aliant will agree to appoint the individual selected by the holders of applicable preference shares of the Corporation, in the manner described above, as a director of Bell Aliant promptly upon such individual having been selected and the Corporation notifying Bell Aliant of such selection.

The Nomination and Appointment Agreement will terminate when there are no longer outstanding any Series C Shares or Series D Shares or other preference shares of the Corporation that may be entitled to the Nomination and Appointment Rights or shares convertible into or exchangeable for Series C Shares, Series D Shares or such other preference shares of the Corporation, respectively.

### **BOOK-ENTRY ONLY SYSTEM**

The Series C and D Preferred Shares will be issued in "book-entry only" form and must be purchased, transferred, converted or redeemed through participants ("**Participants**") in the depository service of CDS. Each of the Underwriters is a Participant or has arrangements with a Participant. On the Closing Date and on the first date of issuance of Series D Shares, the Corporation will cause a global certificate or certificates representing the Series C Shares or Series D Shares to be delivered to, and registered in the name of, CDS or its nominee. No holder of Series C Shares or Series D Shares will be entitled to a certificate or other instrument from the Corporation or CDS evidencing that holder's ownership thereof, and no holder will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such holder. Each holder of Series C Shares will receive a customer confirmation of purchase from the registered dealer from which the Series C Shares are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Series C and D Preferred Shares.

The ability of a beneficial owner of Series C Shares or Series D Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a Participant) may be limited due to the lack of a physical certificate.

The Corporation has the option to terminate registration of the Series C Shares or Series D Shares through the book-based system, in which event certificates for Series C Shares or Series D Shares in fully registered form will be issued to the beneficial owners of such shares or their nominees.

## EARNINGS COVERAGE RATIOS OF BELL ALIANT GP

### Twelve-Month Period Ended December 31, 2010

The following earnings coverage ratio for Bell Aliant Holdings LP (as predecessor to Bell Aliant GP) has been calculated on a consolidated basis after giving *pro forma* effect to this Offering (excluding the Over-Allotment Option) and the Series A Preferred Share Offering. **This coverage ratio is less than 1.0 times.**

#### *Fixed Charge Coverage*

	<b>December 31, 2010</b>
Earnings coverage ratio on long-term debt and preference shares .....	(5.4) times

For the twelve-month period ended December 31, 2010, the consolidated loss of Bell Aliant Holdings LP before income taxes and interest expense on long-term debt was \$964.2 million. Restated for conversion to International Financial Reporting Standards (IFRS), the earnings coverage ratio on long-term debt and preference shares for the twelve-month period ended December 31, 2010 was (6.8) times, as the consolidated loss of Bell Aliant Holdings LP before income taxes and interest expense on long-term debt would have been \$1,200.1 million. In each case, in order for the *pro forma* earnings coverage ratio on long-term debt and preference shares to be at least 1.0 times, earnings before income taxes and interest expense on long-term debt would have to be at least \$177.0 million.

The earnings coverage ratio is negative for the twelve months ended December 31, 2010, due to a \$1,540.7 million non-cash write-down, in the fourth quarter of 2010, of the carrying value of certain finite-life intangible assets as explained in note 6 to the annual audited consolidated financial statements of Bell Aliant Holdings LP for the year ended December 31, 2010 (and as updated to \$1,727.9 million for the conversion to IFRS as explained in note 22 to the unaudited interim financial statements of Bell Aliant GP for the period ended March 31, 2011). Without the write-down, the consolidated earnings before income taxes and interest expense on long-term debt of Bell Aliant Holdings LP would have been \$576.5 million and the earnings coverage ratio on long-term debt and preference shares would have been 3.3 times. Restated for IFRS, without the write-down, the consolidated earnings before income taxes and interest expense on long-term debt of Bell Aliant Holdings LP would have been \$527.8 million and the earnings coverage ratio on long term debt and preference shares would have been 3.0 times.

### Twelve-Month Period Ended September 30, 2011

The following earnings coverage ratio for Bell Aliant GP has been calculated on a consolidated basis after giving *pro forma* effect to this Offering (excluding the Over-Allotment Option) and the Series A Preferred Share Offering. **This coverage ratio is less than 1.0 times.**

#### *Fixed Charge Coverage*

	<b>September 30, 2011</b>
Earnings coverage ratio on long-term debt and preference shares .....	(6.6) times

For the twelve-month period ended September 30, 2011, the consolidated loss of Bell Aliant GP before income taxes and interest expense on long-term debt was \$1,172.7 million. In order for the *pro forma* earnings coverage ratio on long term debt and preference shares to be at least 1.0 times, earnings before income taxes and interest expense on long-term debt would have to be at least \$176.7 million.

The earnings coverage ratio is negative for the twelve months ended September 30, 2011, due to the write-down described above. Without the write-down, the consolidated earnings before income taxes and interest expense on long-term debt of Bell Aliant LP would have been \$555.2 million and the earnings coverage ratio on long term debt and preference shares would have been 3.1 times.

## CREDIT RATINGS

As of the date of this short form prospectus, the Series C Shares have received a rating of P-3(high) by S&P and a rating of Pfd-3 (high) by DBRS.

The “P-3(high)” rating by S&P is the highest of the three sub-categories within the third highest rating of the eight standard categories of ratings utilized by S&P for preference shares. According to the S&P rating system, preferred shares rated P-3 exhibit adequate protection parameters and are less vulnerable to non-payment than other speculative issues. The ratings from P-1 to -3 may be modified by “high”, “mid” and “low” grades which indicate relative standing within the major rating categories. The DBRS rating of “Pfd-3(high)” is the highest sub-category within the third highest rating of the five standard categories of ratings utilized by DBRS for preference shares. According to the DBRS rating system, preferred shares rated Pfd-3 are of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. “High” or “low” grades are used to indicate the relative standing within a rating category.

The credit ratings accorded to the Series C Shares by each of S&P and DBRS are not a recommendation to buy, sell or hold the Series C Shares inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised upward or downward or withdrawn entirely by either DBRS or S&P in the future if, in the judgment of either or both, circumstances so warrant. The credit ratings on the Series C Shares may not reflect the potential impact of all risks related to the value of the Series C Shares. In addition, real or anticipated changes in the credit ratings assigned to the Series C Shares may affect the market value of the Series C Shares.

### **PLAN OF DISTRIBUTION**

Under an underwriting agreement (the “**Underwriting Agreement**”) dated November 22, 2011 among the Corporation, Bell Aliant GP, Bell Aliant and the Underwriters, the Corporation has agreed to sell and the Underwriters have severally agreed to purchase, as principals, subject to compliance with the terms and conditions contained therein and to all necessary legal requirements, on December 7, 2011 or such other date not later than December 16, 2011 as may be agreed upon by the parties, all but not less than all of the 4,000,000 Series C Shares at an aggregate price of \$100 million payable in cash to the Corporation against delivery of the Series C Shares.

In consideration for their services in connection with the Offering, the Corporation has agreed to pay the Underwriters a fee equal to \$0.25 per Series C Share sold to certain institutions and \$0.75 per share with respect to all other sales of Series C Shares. Assuming that no Series C Shares are sold to such institutions, the Underwriters’ fee will be \$3 million. All fees payable to the Underwriters will be paid on account of services rendered in connection with the issue and will be paid out of the proceeds of the Offering.

The Corporation has granted to the Underwriters the Over-Allotment Option, whereby they may purchase up to an additional 600,000 Series C Shares, being a number equal to 15% of the number of Series C Shares sold in the Offering. The Underwriters may exercise the Over-Allotment Option solely for the purpose of covering over-allotments and for market stabilization purposes as permitted pursuant to applicable Canadian securities laws. The Underwriters may exercise the Over-Allotment Option at any time until the date that is 30 days following the Closing Date. If the Underwriters exercise the Over-Allotment Option in full and assuming that no Series C Shares issued upon the exercise of the Over-Allotment Option are sold to institutions, the Underwriters will receive an aggregate fee of \$3,450,000, being \$0.75 per Series C Share sold under the Offering (including the Over-Allotment Option). This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Series C Shares issuable upon the exercise of the Over-Allotment Option.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all the Series C Shares if any Series C Shares are purchased under the Underwriting Agreement.

The Underwriters may not, throughout the period of distribution, bid for or purchase the Series C Shares. The foregoing restriction is subject to certain exemptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series C Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with the Offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Series C Shares at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriting Agreement provides that, without the prior written consent of RBC Dominion Securities Inc., Scotia Capital Inc. and BMO Nesbitt Burns Inc., the Corporation will not sell or announce its intention to sell, nor will the Corporation authorize or issue, or announce its intention to authorize or issue, any preference shares or securities convertible or exchangeable for or into preference shares other than the Series C Shares during the period commencing on the date of the Underwriting Agreement and ending 90 days after the closing of the Offering.

Each of RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc. and Desjardins Securities Inc. is a subsidiary or an affiliate of a Canadian financial institution. Bell Aliant LP, a wholly-owned subsidiary of Bell Aliant GP, has established credit facilities with those financial institutions or their affiliates. Accordingly, each of the Corporation and Bell Aliant GP may be considered a “connected issuer” of such Underwriters for the purposes of applicable Canadian securities laws. As at September 30, 2011, approximately \$160.5 million was drawn or utilized through letters of credit issued under the Credit Facility. Bell Aliant LP is in compliance with its covenants and other obligations under the Credit Facility and no waiver of any breach has occurred thereunder. Except as disclosed herein, Bell Aliant LP’s financial position has not changed substantially since the indebtedness under the Credit Facility was incurred. None of the lenders under the Credit Facility had any involvement in the decision to distribute the Series C Shares and the determination of the terms and conditions of the Offering were and will be made through negotiations between the Corporation and the Underwriters. The Underwriters have not benefited and will not benefit in any manner from the Offering other than through payment of their proportionate share of the Underwriters’ Fee.

The Series C Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any state securities laws and, subject to certain exemptions, may not be offered or sold within the United States. The distribution of this short form prospectus and the offering and sale of the Series C Shares are also subject to certain restrictions under the laws of certain other jurisdictions outside of Canada. Each Underwriter has agreed that it will not offer for sale or sell or deliver the Series C Shares in any such jurisdiction except in accordance with the laws thereof.

The Underwriters propose to offer the Series C Shares initially at the offering price specified on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Series C Shares at the price specified on the cover page, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series C Shares is less than the price paid by the Underwriters to the Corporation.

The determination of the terms of the distribution, including the issue price of the Series C Shares, was made through negotiations between the Corporation and the Underwriters.

#### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Corporation, and of Norton Rose OR LLP, counsel to the Underwriters, the following is a summary of the principal Canadian income tax considerations under the Tax Act generally applicable to a holder of Series C Shares acquired pursuant to this short form prospectus (a “**Holder**”) who, for purposes of the Tax Act and at all relevant times, is or is deemed to be a resident of Canada, deals at arm’s length with and is not affiliated with the Corporation and holds any Series C Shares or Series D Shares as capital property and is not exempt from tax under Part I of the Tax Act. Generally, the Series C Shares and the Series D Shares will be capital property to a Holder provided the Holder does not hold such shares in the course of carrying on a business and does not acquire them as part of an adventure or concern in the nature of a trade. Certain Holders who might not otherwise be considered to hold Series C Shares or Series D Shares as capital property may, in certain circumstances, be entitled to have them and every other “Canadian security”, as defined in the Tax Act, owned by such Holder in the taxation year of the election or any subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Holder that is a “financial institution” for the purposes of the “mark to market property” rules, to a Holder that is a “specified financial institution”, to a Holder an interest in which would be a “tax shelter investment” or to a Holder to whom the “functional currency” reporting rules apply, each as defined in the Tax Act. Such Holders should consult their own tax advisors. Furthermore, this summary is not applicable to a Holder that is a corporation, that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm’s length (and any partnership or trust of which the Holder or any such person is a member or beneficiary), in the aggregate, dividends in respect of more than 10% of the Series C Shares or the Series D Shares, as the case may be, outstanding at the time the dividend is received or deemed to be received. This summary assumes that all issued and outstanding Series C Shares and Series D Shares are listed on a designated stock exchange (as defined in the Tax Act) in



Canada (which includes the TSX) at such times as dividends (including deemed dividends) are paid or received on such shares. This summary also assumes that no payments to a Holder in respect of the Series C Shares or the Series D Shares are made by Bell Aliant GP pursuant to the Series C Guarantee or the Series D Guarantee, as the case may be.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder (the “**Regulations**”), all specific proposals to amend the Tax Act and the Regulations publicly announced by the Minister of Finance of Canada prior to the date hereof (the “**Proposals**”) and counsel’s understanding of the current published administrative and assessing policies and practices of the Canada Revenue Agency (the “**CRA**”). No assurances can be given that the Proposals will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate any change in law, whether by legislative, governmental or judicial action, nor does it take into account or consider any provincial, territorial or foreign income tax legislation or considerations.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, prospective Holders should consult their own tax advisors with respect to their particular circumstances.**

## **Dividends**

Dividends received or deemed to be received on the Series C Shares or the Series D Shares by an individual (other than certain trusts) will be included in the individual’s income and generally will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to any dividends designated by the Corporation as “eligible dividends” in accordance with the Tax Act. Dividends received or deemed to be received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax.

Dividends received or deemed to be received on the Series C Shares or the Series D Shares by a corporation will be included in computing the its income and will generally be deductible in computing its taxable income. A “private corporation”, as defined in the Tax Act, or any other corporation controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay refundable tax under Part IV of the Tax Act of 33 1/3% on dividends received (or deemed to be received) on the Series C Shares and the Series D Shares to the extent such dividends are deductible in computing its taxable income.

The Series C Shares and the Series D Shares will be “taxable preferred shares” as defined in the Tax Act. The terms of the Series C Shares and the Series D Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series C Shares and the Series D Shares.

## **Dispositions**

A Holder who disposes of or is deemed to dispose of Series C Shares or Series D Shares (on redemption for cash or otherwise, but not on conversion of Series C Shares into Series D Shares or Series D Shares into Series C Shares, as the case may be) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to such Holder. For this purpose, the adjusted cost base to a Holder of Series C Shares, or, as the case may be, Series D Shares, will be determined at any time by averaging the cost of such Series C Shares, or, as the case may be, Series D Shares, with the adjusted cost base of any other Series C Shares, or, as the case may be, Series D Shares, owned by the Holder as capital property at that time. The amount of any deemed dividend arising on the redemption or purchase for cancellation by the Corporation of Series C Shares or Series D Shares will not generally be included in computing the proceeds of disposition to a Holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares.

Generally, one half of any capital gain (a taxable capital gain) realized by a Holder for a taxation year must be included in the Holder’s income in the year. A Holder is required to deduct one-half of any capital loss (an allowable capital loss) realized in the year from taxable capital gains realized in the year. Allowable capital losses in excess of taxable capital gains realized in a year may be carried back and deducted in any of the three preceding taxation years, or in any subsequent year, from net taxable capital gains realized in such years (but not against other income) to the extent and under the circumstances described in the Tax Act. If the Holder is a corporation, any such capital loss realized on a disposition of a Series C Shares, or as the case may be, Series D Shares, may in certain circumstances be reduced by the amount of any dividends which have been received or which are deemed to have been received on such Series C Shares, or, as the case may be, Series D Shares. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns shares, directly or indirectly through a partnership or a trust. Taxable capital gains realized by a Holder who is an individual may give rise to alternative minimum tax depending on the Holder’s circumstances.

A Holder that is throughout the year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax at a rate of 6 2/3% on certain investment income, including taxable capital gains (as defined above), but excluding dividends or deemed dividends deductible in computing taxable income.

## **Redemption**

If the Corporation redeems or otherwise acquires Series C Shares or Series D Shares, other than by a purchase in the open market in the manner in which shares are normally purchased by a member of the public in the open market, the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. Generally, the difference between the amount paid by the Corporation and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the deemed dividend may be treated as proceeds of disposition and not a dividend.

## **Conversion**

The conversion of a Series C Share into a Series D Share or a Series D Share into a Series C Share will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a Holder of a Series D Share or Series C Share, as the case may be, received on the conversion will be deemed to be equal to the Holder’s adjusted cost base of the converted Series C Share or Series D Share, as the case may be, immediately before the conversion.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Corporation and Bell Aliant, and Norton Rose OR LLP, counsel to the Underwriters, the Series C Shares and Series D Shares, provided they are listed on a designated stock exchange (which currently includes the TSX), if issued on the date of this short form prospectus, would be qualified investments under the Tax Act and the Regulations thereunder for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account (collectively referred to as “**Deferred Income Plans**”).

Notwithstanding that the Series C Shares and the Series D Shares may be qualified investments for a trust governed by a tax-free savings account (“**TFSA**”), the holder of a TFSA will be subject to a penalty tax on the Series C Shares and the Series D Shares and other tax consequences may result if the Series C Shares and the Series D Shares are a “prohibited investment” for the TFSA. The Series C Shares and the Series D Shares will generally be a “prohibited investment” if the holder of a TFSA does not deal at arm’s length with the Corporation for purposes of the Tax Act or the holder of the TFSA has a “significant interest” (as defined in the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm’s length for purposes of the Tax Act. Holders are advised to consult their own tax advisors in this regard.

On November 24, 2011, Bill C-13 received second reading in the Senate. If enacted as proposed, it would extend the application of the penalty tax rules for holding “prohibited investments” to the annuitants of registered retirement savings plans and registered retirement income funds.

Holders who may wish to hold their Series C or Series D Shares in a trust governed by a TFSA, registered retirement savings plan or registered retirement income fund are advised to consult their own tax advisors in this regard.

## **RISK FACTORS**

An investment in the Series C and D Preferred Shares involves certain risks, including those risks described in the “Risk Factors” section of the Bell Aliant GP AIF and the “Risk management” section of the Bell Aliant Holdings Annual MD&A, as updated by subsequent interim MD&A, each of which is incorporated by reference herein. Prospective purchasers of the Series C and D Preferred Shares should consider carefully these risks, the risk factors related to the Series C and D Preferred Shares set forth below, as well as the other information contained in and incorporated by reference in this short form prospectus before purchasing or acquiring any Series C and D Preferred Shares.

*Credit rating may not reflect actual performance of the Corporation or Bell Aliant.*

The credit rating applied to the Series C Shares is an assessment, by the rating agency, of the Corporation's ability to pay its obligations. The credit rating is based on certain assumptions about the future performance and capital structure of the Corporation, Bell Aliant GP and Bell Aliant that may or may not reflect the actual performance or capital structure of the Corporation, Bell Aliant GP or Bell Aliant. Changes in the credit rating of the Series C Shares or in any credit rating assigned to the Series D Shares in the future may affect the market price or value and the liquidity of the Series C Shares or the Series D Shares, as applicable. There is no assurance that any credit rating assigned to the Series C Shares or the Series D Shares will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the rating agency.

*The market value of Series C Shares and Series D Shares will be affected by a number of factors and, accordingly, their trading prices will fluctuate.*

From time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Series C Shares and the Series D Shares for reasons unrelated to the Corporation's, Bell Aliant GP's and Bell Aliant's performance. The value of the Series C Shares and Series D Shares are also subject to market fluctuations based upon factors which influence the Corporation's, Bell Aliant GP's and Bell Aliant's operations, such as legislative or regulatory developments, competition, technological change and global capital market activity.

The value of Series C Shares and Series D Shares will be affected by the general creditworthiness of the Corporation and Bell Aliant GP. Bell Aliant Holdings Annual MD&A and Bell Aliant GP Interim MD&A are incorporated by reference in this short form prospectus and discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Bell Aliant Group's business, financial condition or results of operations. See also the discussion under "Earnings Coverage Ratios of Bell Aliant GP", which ratios are relevant to an assessment of the risk that the Corporation will be unable to pay dividends on the Series C Shares and the Series D Shares or that Bell Aliant GP will be unable to pay under the Guarantees.

The market value of the Series C Shares and the Series D Shares, as with other preference shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the credit rating assigned to such shares. The market price or value of the Series C Shares and the Series D Shares will decline as prevailing interest rates for comparable instruments rise, and increase as prevailing interest rates for comparable instruments decline. Real or anticipated changes in credit ratings on the Series C Shares and the Series D Shares may also affect the cost at which the Bell Aliant Group can transact or obtain funding, and thereby affect its liquidity, business, financial condition or results of operations.

Prevailing yields on similar securities will affect the market value of the Series C Shares and the Series D Shares. Assuming all other factors remain unchanged, the market value of the Series C Shares and the Series D Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Bond Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities may affect the market value of the Series C Shares and the Series D Shares.

The market value of Series C Shares and Series D Shares may also be influenced by similar factors that affect the trading prices of Bell Aliant's common shares, including Bell Aliant's financial results and political, economic, financial and other factors that can affect the capital markets generally, the stock exchanges on which Bell Aliant's common shares are traded and the market segment of which Bell Aliant is a part.

*The Corporation's ability to meet its financial obligations is dependent on receipt of funds from Bell Aliant GP.*

The Corporation's ability to pay dividends and its operating expenses and interest and to meet its obligations depends entirely upon receipt of sufficient funds from Bell Aliant GP by way of interest, debt repayment or capital. Accordingly, the likelihood that holders of the Series C Shares and the Series D Shares will receive dividends will depend on the financial position and creditworthiness of Bell Aliant GP. If the value of the underlying assets of the Corporation decreases substantially, the Corporation may not legally be in a position to declare or pay its dividends or pay amounts due upon redemption of the Series C Shares or Series D Shares or upon liquidation, dissolution or winding-up of the Corporation, and a holder's receipt of such amounts will depend on the ability of Bell Aliant GP to pay such amounts under the Guarantees. See "Details of the Offering".

*The Corporation may redeem Series C Shares and Series D Shares.*

The Corporation may choose to redeem the Series C Shares and the Series D Shares from time to time, in accordance with its rights described under “Details of the Offering – Description of the Series C Shares – Redemption” and “Details of the Offering – Description of the Series D Shares – Redemption”, including when prevailing interest rates are lower than the yields borne by the Series C Shares and the Series D Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yields on the Series C Shares or the Series D Shares being redeemed. The Corporation’s redemption right may also adversely impact a purchaser’s ability to sell Series C Shares and Series D Shares as the optional redemption date or period approaches.

*The Series C Shares and the Series D Shares do not have a fixed maturity date, may not be redeemed at the holder’s option and may be liquidated by the holder only in limited circumstances.*

Neither Series C Shares nor the Series D Shares have a fixed maturity date and are not redeemable or retractable at the option of the holders of Series C Shares or Series D Shares, as applicable. The ability of a holder to liquidate its holdings of Series C Shares or Series D Shares may be limited.

*There is currently no trading market for the Series C Shares and the Series D Shares.*

There is currently no trading market for the Series C Shares and the Series D Shares. There can be no assurance that an active trading market will develop for the Series C Shares after the Offering or for the Series D Shares following the issuance of any of those shares, or if developed, that such a market will be sustained at the offering price of the Series C Shares specified on the cover page of this short form prospectus or the issue price of the Series D Shares. If an active or liquid market for the Series C Shares and the Series D Shares fails to develop or be sustained, the prices at which the Series C Shares and the Series D Shares trade may be adversely affected.

The offering price of the Series C Shares specified on the cover page of this short form prospectus has been determined by negotiation between the Corporation and Underwriters based on several factors and may bear no relationship to the prices at which the Series C Shares and the Series D Shares will trade in the public market subsequent to such offering. See “Plan of Distribution”.

*The ability of holders of Series C and D Preferred Shares to enforce their rights could be restricted by applicable Canadian federal bankruptcy, insolvency and other restructuring legislation.*

In the event of a bankruptcy or insolvency event relating to or involving the Corporation and Bell Aliant GP, the ability of the trustees who represent the holders of the Series C and D Preferred Shares, as creditors of the Series C Guarantee and the Series D Guarantee, to enforce rights and remedies could be restricted or delayed by the restructuring provisions of applicable Canadian federal bankruptcy, insolvency and other restructuring legislation if the benefit of such legislation is sought with respect to the Corporation and Bell Aliant GP. For example, both the *Bankruptcy and Insolvency Act* (Canada) and the *Companies’ Creditors Arrangement Act* (Canada) contain provisions enabling an insolvent person to obtain a stay of proceedings against its creditors and to file a proposal to be voted on by the various classes of its affected creditors. In addition, other creditors of Bell Aliant GP could challenge the validity of Bell Aliant GP’s obligations under the Series C Guarantee and the Series D Guarantee as fraudulent conveyances or on other grounds.

*Creditors of the Corporation, Bell Aliant and Bell Aliant GP rank ahead of holders of Series C Shares and Series D Shares in the event of an insolvency or winding-up of the Corporation, Bell Aliant or Bell Aliant GP.*

Creditors of the Corporation would rank ahead of holders of Series C Shares and Series D Shares in the event of an insolvency or winding-up of the Corporation, and certain creditors of Bell Aliant GP would rank ahead of the Corporation and holders of Series C Shares and Series D Shares in the event of an insolvency or winding-up of Bell Aliant GP.

The Series C Shares and the Series D Shares rank equally with other preference shares that may be outstanding in the event of an insolvency or winding-up of the Corporation. If the Corporation becomes insolvent or is wound-up, the Corporation’s assets must be used to pay debt, including inter-company debt, before payments may be made on Series C Shares, Series D Shares and other preference shares. Other than the Series C Loan(s) and the Series A Loan, the Corporation will have no significant assets or liabilities.

However, the Corporation's payment obligations to holders of Series C Shares and Series D Shares are contractually guaranteed by Bell Aliant GP pursuant to the Series C Guarantee and the Series D Guarantee, respectively, and such payment obligations are not guaranteed by Bell Aliant. Under the Series C Guarantee and the Series D Guarantee, Bell Aliant GP has, among other matters, covenanted that it shall not pay any dividends or return capital to holders of shares of its capital for so long as there are dividends in arrears on the Series C and D Preferred Shares. In addition, Bell Aliant GP has covenanted that it will not convey, distribute or transfer, exchange, or lease, all or substantially all of its properties, securities and assets to any person or persons unless the transferee of such assets or the successor corporation to Bell Aliant GP assumes Bell Aliant GP's obligations under the Series C Guarantee and the Series D Guarantee. If Bell Aliant GP becomes insolvent or is wound-up, Bell Aliant GP's assets will likely be used to pay other debt, including inter-company debt, before payments will be made on the Guarantees. The Guarantees will be subordinated to all other indebtedness for borrowed money, or guarantees thereof, of or by Bell Aliant GP, and to certain other indebtedness, liabilities and obligations of Bell Aliant GP, other than obligations that are specifically stated to rank *pari passu* with, or subordinate to, the Guarantees. The Series C Loan(s) will rank *pari passu* with all other unsecured debt obligations of Bell Aliant GP, other than debt obligations that are subordinated, whether outstanding at the date of the Series C Loan(s) or thereafter incurred.

*The dividend rates on the Series C Shares and the Series D Shares will reset.*

The dividend rate in respect of the Series C Shares will reset on March 31, 2017 and on March 31 every five years thereafter. The dividend rate in respect of the Series D Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

*Investments in the Series D Shares, given their floating interest component, entail risks not associated with investments in the Series C Shares.*

Investments in the Series D Shares, given their floating interest component, entail risks not associated with investments in the Series C Shares. The resetting of the applicable rate on a Series D Share may result in a lower dividend compared to fixed rate Series C Shares. The applicable rate on a Series D Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Corporation has no control.

*The Series C Shares and the Series D Shares may be converted or redeemed without the holders' consent in certain circumstances.*

An investment in the Series C Shares, or in the Series D Shares, as the case may be, may become an investment in Series D Shares, or in Series C Shares, respectively, without the consent of the holder in the event of an automatic conversion in the circumstances described under "Details of the Offering – Description of the Series C Shares – Conversion of Series C Shares into Series D Shares" and "Details of the Offering – Description of the Series D Shares – Conversion of Series D Shares into Series C Shares". Upon the automatic conversion of the Series C Shares into Series D Shares, the dividend rate on the Series D Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while, upon the automatic conversion of the Series D Shares into Series C Shares, the dividend rate on the Series C Shares will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30th day prior to the first day of each such five-year period. In addition, holders may be prevented from converting their Series C Shares into Series D Shares, and vice versa, in certain circumstances.

*The declaration of dividends on the Series C Shares and the Series D Shares is at the discretion of the Board of Directors.*

Holders of Series C Shares and Series D Shares do not have a right to dividends on such shares unless declared by the Board of Directors. The declaration of dividends is at the discretion of the Board of Directors even if the Corporation has sufficient funds, net of its liabilities, to pay such dividends.

The Corporation may not declare or pay a dividend if there are reasonable grounds for believing that (i) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares. Liabilities of the Corporation will include those arising in the course of its business, indebtedness, including inter-company debt, and amounts, if any, that are owing by the Corporation under guarantees in respect of which a demand for payment has been made. See "Consolidated Capitalization of the Corporation".

While the Nomination and Appointment Rights provide holders of the Series C Shares and Series D Shares, together with holders of other applicable series of preference shares, acting together as a single class, with rights to direct the Corporation to name a candidate for Bell Aliant to nominate to stand for election as a director of Bell Aliant at meetings of the shareholders of Bell Aliant or to cause Bell Aliant to appoint an additional director to its board in certain circumstances, the holders of the Series C Shares and Series D Shares (and such other applicable series of preference shares) will not be entitled to vote on the election of such nominee and there is no assurance that the exercise of any such rights will result in such nominee being elected or the board of directors of Bell Aliant taking any action to facilitate or ensure the declaration by the Board of Directors of dividends or the payment of such dividends by the Corporation if declared or any other amounts on the Series C Shares or Series D Shares.

*The payment of dividends under the Guarantees are limited to certain circumstances.*

Although the Series C Shares and the Series D Shares carry cumulative dividends, the Corporation may not be in a position pursuant to law to declare and pay such dividends as contemplated in this short form prospectus. While the payment of such dividends has been guaranteed by Bell Aliant GP, such Guarantees are only triggered when such dividends are declared by the Board of Directors or upon the redemption of the Series C Shares or Series D Shares or upon the liquidation, dissolution or winding-up of the Corporation. The tax treatment of a payment under the Guarantees may differ from the tax treatment of the payment if it had been made by the Corporation.

Bell Aliant GP has agreed pursuant to the Guarantees that, as long as dividends on Series C Shares and Series D Shares are in arrears, Bell Aliant GP will not pay any dividends on equity securities of Bell Aliant GP. A failure by Bell Aliant GP to pay such dividends may have an adverse effect on Bell Aliant, Bell Aliant GP, the Corporation and the market values of the Series C Shares and the Series D Shares.

*Holders of the Series C Shares and the Series D Shares do not have voting rights except under limited circumstances.*

Holders of Series C Shares and Series D Shares will generally not have voting rights at meetings of the shareholders of the Corporation except under limited circumstances. Holders of Series C Shares and Series D Shares will have no right to elect the Board of Directors. See “Details of the Offering”.

#### **INTEREST OF EXPERTS**

Certain legal matters relating to the offering of the Series C Shares will be passed upon by Blake, Cassels & Graydon LLP on behalf of the Corporation and Bell Aliant GP, and on behalf of the Underwriters by Norton Rose OR LLP. As at the date hereof, partners and associates of Blake, Cassels & Graydon LLP as a group and the partners and associates of Norton Rose OR LLP as a group beneficially own, directly or indirectly, less than 1% of the outstanding common shares of each of the Corporation and Bell Aliant GP.

Deloitte & Touche LLP, the external independent auditor of Bell Aliant GP and Bell Aliant, reported on Bell Aliant Holdings LP’s (as predecessor to Bell Aliant GP) consolidated financial statements for the years ended December 31, 2010 and 2009 and the Fund’s (as predecessor to Bell Aliant) consolidated financial statements for the years ended December 31, 2010 and 2009, each of which are incorporated by reference herein. Deloitte & Touche LLP is independent with respect to Bell Aliant GP, Bell Aliant and the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The independent auditor of Bell Aliant (and of the Fund, as the predecessor to Bell Aliant) and Bell Aliant GP (and its predecessor, Bell Aliant Holdings LP) are Deloitte & Touche LLP, chartered accountants, located at Purdy’s Wharf Tower II, 1969 Upper Water Street, Suite 1500, Halifax, Nova Scotia, B3J 3R7. The transfer agent and registrar for the Series C Shares and the Series D Shares will be CIBC Mellon Trust Company at its offices in Halifax, Nova Scotia and Toronto, Ontario.

#### **PURCHASERS’ STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a

misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

## INDEPENDENT AUDITOR'S CONSENT

We have read the short form prospectus of Bell Aliant Preferred Equity Inc. (the "**Corporation**") dated November 29, 2011 qualifying the distribution of 4,000,000 Cumulative 5-Year Rate Reset Preferred Shares, Series C of the Corporation (the "**Prospectus**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned Prospectus of our report to the Directors of Bell Aliant Regional Communications Holdings Inc., General Partner of Bell Aliant Regional Communications Holdings, Limited Partnership ("**Bell Aliant Holdings LP**"), the predecessor to Bell Aliant Regional Communications Inc., on the consolidated balance sheets of Bell Aliant Holdings LP as at December 31, 2010 and December 31, 2009; and the consolidated statements of earnings (loss), statements of partners' equity, comprehensive earnings (loss) and cash flows for the years then ended. Our report is dated March 9, 2011.

We also consent to the incorporation by reference in the above-mentioned Prospectus of our report to the Unitholders of Bell Aliant Regional Communications Income Fund (the "**Fund**"), the predecessor to Bell Aliant Inc. ("**Bell Aliant**"), on the consolidated balance sheets of the Fund as at December 31, 2010 and December 31, 2009; and the consolidated statements of earnings (loss), statements of unitholders' equity, comprehensive earnings (loss) and cash flows for the years then ended. Our report is dated March 9, 2011.

We also consent to the incorporation by reference in the above-mentioned Prospectus of our report to the board of directors and shareholder of Bell Aliant on the balance sheet of Bell Aliant as at December 31, 2010. Our report is dated March 9, 2011.

(Signed) DELOITTE & TOUCHE LLP

Chartered Accountants  
Halifax, Nova Scotia  
November 29, 2011



**CERTIFICATE OF THE ISSUER**

Dated: November 29, 2011

This short form prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**BELL ALIANT PREFERRED EQUITY INC.**

(Signed) KAREN H. SHERIFF  
Chief Executive Officer

(Signed) GLEN LEBLANC  
Chief Financial Officer

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

(Signed) ROBERT DEXTER  
Director

(Signed) LOUIS TANGUAY  
Director

**CERTIFICATE OF THE CREDIT SUPPORTER**

Dated: November 29, 2011

This short form prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**BELL ALIANT REGIONAL COMMUNICATIONS INC.**

(Signed) KAREN H. SHERIFF  
Chief Executive Officer

(Signed) GLEN LEBLANC  
Chief Financial Officer

On behalf of the Board of Directors of Bell Aliant Regional Communications Inc.

(Signed) ROBERT DEXTER  
Director

(Signed) LOUIS TANGUAY  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Dated: November 29, 2011

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**RBC DOMINION SECURITIES  
INC.**

(Signed) JAN SORHAUG

**SCOTIA CAPITAL INC.**

(Signed) JEFFREY DRUMMOND

**BMO NESBITT BURNS INC.**

(Signed) ASHISH P. MATHUR

**CIBC WORLD MARKETS INC.**

(Signed) KEVIN A. LI

**TD SECURITIES INC.**

(Signed) RYAN D'SILVA

**NATIONAL BANK FINANCIAL INC.**

(Signed) ROB SAINSBURY

**DESJARDINS SECURITIES INC.**

(Signed) MATHIEU CARDINAL

**CANACCORD GENUITY CORP.**

(Signed) SANJIV SAMANT

**GMP SECURITIES INC.**

(Signed) NEIL SELFE

**MACQUARIE CAPITAL MARKETS  
CANADA LIMITED**

(Signed) MIKE MACKASEY

**BEACON SECURITIES LIMITED**

(Signed) JANE SMITH

**CASGRAIN & COMPANY LIMITED**

(Signed) STEPHEN MCHARG