

**CORPORATE PARTICIPANTS**

**Mr. Michael Sabia**

**Mr. George Cope**

**Mr. Siim Vanaselja**

**Mr. Bernard le Duc**  
*Moderator*

**CONFERENCE CALL PARTICIPANTS**

**Glenn Campbell**  
*Merrill Lynch, Analyst*

**Vince Valentini**  
*TD Newcrest, Analyst*

**Jonathan Allen**  
*RBC Capital Markets, Analyst*

**Dvai Ghose**  
*Genuity Capital Markets, Analyst*

**Peter Rhamey**  
*BMO Capital Markets, Analyst*

**John Henderson**  
*Scotia Capital, Analyst*

**Jeffrey Fan**  
*UBS Securities, Analyst*

**Randal Rudniski**  
*Credit Suisse, Analyst*

**PRESENTATION**

**Operator**

Good morning ladies and gentlemen. Welcome to the BCE conference call. I would now like to turn the meeting over to Mr. Bernard le Duc. Please go ahead Mr. le Duc.

---

**Mr. Bernard le Duc, Moderator**

Thank you operator. Good morning everyone and thank you for joining us at relatively short notice. The purpose of this call is to discuss the announcement that we made earlier this morning that I'm sure you've seen. I'm joined here today by Michael Sabia, our CEO, George Cope, our COO and Siim Vanaselja, our CFO.

So we would like to take you through the presentation that's on our website after which we'll move through to Q&A.

Before we begin I'd like to remind you that today's remarks will contain forward looking statements with respect to items such as the expected timing and structure of the plan of arrangement and related transactions concerning the proposed conversion of Bell Canada into an income trust, the trust's initial annual cash distributions per unit and targeted payout ratio and financial guidance for 2006.

Several assumptions were made by BCE in preparing these forward looking statements and there are risks that our actual results will differ materially from those contemplated by the forward looking statements. For additional information on such assumptions and risks please consult BCE's news release issued earlier this morning concerning the proposed income trust conversion filed with the Canadian Securities Commission and with the SEC and which is also available on our website.

These forward looking statements represent the expectations of BCE as of October the 11<sup>th</sup>, 2006 and accordingly are subject to change after such date. However BCE disclaims any intention or obligation to update or revise any forward looking statement whether as a result of new information, future events or otherwise.

I'm making this cautionary statement on behalf of all the speakers today whose remarks may contain forward looking statements. So with that behind us I would like to pass the call over to Michael Sabia. Michael?

---

**Mr. Michael Sabia**

Thanks Bernard and thanks everyone for joining us this morning. As you've seen from the press release that we issued earlier this morning we are making two announcements today. The first, our decision to wind

down to in effect eliminate BCE. And second, with that being done the conversion of Bell Canada to an income trust.

So let me take these two in order. First on BCE. Now there's no doubt that the winding down of BCE certainly does mark the end of an era in Canadian business. But I think the fact is that BCE was a company that was created for another time with objectives that were very much about diversification and very much about diversification away from Bell.

I think as many of you appreciate our strategy has been different, our strategy has been all about focus, focus on Bell. That's the business we know and that's the business that we'll stick to. So in that context of course that's why we've moved step by step over the last few years on non core assets.

Given the progress with BCI, Emergis, CGI, BGM, others all addressed and now having launched and made a lot of progress on the sale process on Telesat, we have the opportunity to eliminate BCE as a holding company and to thereby take another important step to simplify our corporate structure.

So yes, this step we believe certainly does simplify but I think it also really confirms our strategic direction to return to our roots and to stay there, to intensify our focus on Bell and to finish the job of repositioning the company as a pure communications business providing integrated services across the breadth of our platforms to all of our customers.

Now our second decision, it flows out of I think the progress made with respect to the focus that we brought to BCE and then the elimination of BCE itself. So and that is of course that the decision to convert Bell to an income trust structure.

Well first question, why? I think the answer to that is essentially straightforward, fundamentally because of the opportunity provided by the tax efficiency of that structure to increase our distributions and by doing that to create value for our shareholders now and over the medium term. And as Siim will address that's especially important for us in this time frame as we head into 2007, a year in which we do expect to see our tax liabilities to step up significantly.

But perhaps beyond the why, perhaps the better question is why now? So first and obviously it's the Telus announcement certainly a factor, and an important one. So we're acting now to restore greater parity in the capital markets and greater parity with respect to cost of capital.

But beyond that I think there is a more fundamental reason for the decision that we've announced this morning. And that's all about our operating progress. And about the financial flexibility that that operating progress creates.

Now for 2006 as we said before and said it many times, we're on track with the levels of guidance that we've provided to you in the past. But on the basis of the work that we're doing in 2006 and as we approach the end of the year as we do every year we have done a great deal of our usual bottom up planning work for next year.

And as a result of that we do now have a clearer picture of what 2007 looks like. Frankly a picture that bolsters our confidence that all of the changes made over the last few years in people, in processes, in costs, the broad range of our activities, that all of that is coming together and coming together well. Like we see it in our cost structure which is far more competitive today than it was a while ago, especially given the kind of ambitious program that we're trying to get done this year.

We are seeing our ARPU performance of our growth engines improving, our pricing precision is better in our customer markets. And importantly on NAS we now have six quarters of experience with cable telephony and we're getting much better at predicting trends and better at retention and winbacks.

In fact as you know in the first two quarters of this year we have seen some stabilization in rates of erosion and I might say we've now seen the third quarter with very much the same picture.

So all of that sets foundations, important foundations for improved operating and financial performance for next year and George is going to elaborate on that.

And in fact I think the way I'd put it is with some of the performance that we expected to see in 2008 actually coming a little bit earlier as we move through 2007. And it's that improving performance for next year that in my mind makes this a right time, a good time to take a decision on the conversion of the company.

Because in my mind that decision has always had to meet two critical tests, and those tests are within a trust could we have the flexibility to invest in growth so that we could continue to build the business and at the same time have the resources to fund the higher level of distributions normally associated with a trust.

We believe that we have that ability now. So we can convert the company because we're convinced that we can continue to build the business in that structure. And all along that's been our goal, to build the business because fundamentally over the longer term that's how you grow shareholder value.

Now if I could just turn to the next slide on Bell's mandate. I think it won't surprise you given what I've just said that the mandate that we've set for Bell does not change as a result of this decision. There's no change in our key priorities, there's no change in our willingness or our capacity to invest and to bring innovation into this market place. So we're going to continue investing in growth platforms be they wireless, broadband, IP, video, across the whole range. We'll do that both in terms of leading edge networks themselves and the services that we'll deliver over them, the innovative services that we'll deliver over them.

We'll continue to focus on business transformation as we have been throughout, driving greater productivity, greater profitability in our growth services. And of course and fundamentally we're going to continue building toward an unsurpassed level of customer service cause we believe that that is an absolute centerpiece of competitive differentiation in this industry going forward.

So in creating the trust we spent a good deal of time, a number of months, assessing carefully the capital and operating expenses that we need to deliver that plan for the business.

And on that basis as you've seen this morning we've set an initial distribution of \$2.55 per unit for 2007 or a 2007 payout ratio of about 85%.

We believe confidence that that gives us the flexibility we need as I said to build the business while in effect increasing our current \$1.32 dividend by about 90% or in effect almost doubling it.

Now one final point, as you've seen this morning in addition to our announcement, Bell Aliant has also announced its intention to buy in the minority of Bell Nordiq. I think this further simplifies the structure and creates one regionally focused business in the market.

Now let me just say, we believe that those smaller regional markets that they're important and that they deserve focus. Because with focus, this has been a theme for us, because with focus, we can compete better and we can build a better business. And fundamentally that's Bell Aliant's mandate: to serve those communities while tapping into Bell's broader economies of scale. It's

a unique formula, we believe it's worth pursuing and that's what we'll do.

So let me just wrap up, let's take stock. Over the last few years the assets of BCE have been greatly streamlined to the point where today we can take the step of shutting down BCE itself. And the diversity that has marked BCE has been replaced with a singular focus on building an integrated communications company in Bell.

The resulting company, a substantially simpler structure. Bell itself competing in the urban markets, Bell Aliant in the regions. And now that our operating plan for the business is gaining more and more traction we have the flexibility to trust Bell.

First, to the benefit of our shareholders, and very importantly to do it in a way that will enable us to keep building the business because that's the fundamental direction of the company. So I'll pass it over to George, with that thanks.

---

**Mr. George Cope**

Good morning everyone. I'm on to slide 7. At the investor day in February, last February I indicated that our operational priorities would focus around a number of key items. Starting with first importantly I indicated that establishing pricing leadership behavior across all of our business units would be a priority. We have made progress in our LD portfolio, video, DSL, wireless and SMB portfolios. We have more work to do but progress has certainly taken place.

Also indicated that improving our branding, distribution and overall market effectiveness would be important. With the addition of Wade Oosterman as president of Bell Mobility but also in his role as chief brand officer in partnership with Kevin Crull, the head of Residential we have begun to change our branding in the marketplace particularly with a focus much more on product differentiation and much more away from price.

You'll also begin to see a consistency in our execution on our brand going forward and also we've begun to redirect money from naming rights to distribution tactics such as opening new Bell World stores going forward.

I also indicated that our ability to react in the marketplace in each of our regions would be important going forward. We've begun to do that as well, we clearly have a

program specifically focused in Montreal in the territory that Videotron competes with us in and has ensured that those programs don't flow into other marketplaces where the competitive dynamics can be different.

Under Wade Oosterman's leadership he's recently changed the direction of the Solo brand in Bell Mobility to line up right against the Fido brand of Rogers such that now that the Bell Mobility brand will not be used in any discount form. The Solo brand will be used to compete directly against Fido and as such over the last few weeks all of our Solo pricing has matched identical to that of Fido's in the marketplace to ensure we secure our fair share of that discount market, that that's the road that our competition continues to pursue.

I also indicated that we needed to improve our marketing tactics and our traditional business as well. We've begun to do that across our SMB and Residential portfolio and next year under Stephane's leadership we look forward to improving operating metrics in our Enterprise organization.

Finally while improving our market execution we needed to continue to drive out costs of the business and we have done that. Some of these priorities are beginning to provide for improvement in our operating metrics. In particular the ARPU across all growth businesses is growing and the rate of LD decline is slowing.

Our cost savings continue to ramp up as planned, putting us in a position to achieve stable EBITDA margin year over year despite the NAS erosion incurred this year.

Turning to the next slide and looking forward to 2007 I believe the company will be well positioned to improve our operating performance versus 2006. In particular we will continue to invest in our broadband expansion, IP investments and wireless.

We will continue to improve our marketing execution in terms of branding, distribution, service and new product introductions across all of our business units.

Our focus on improving the EBITDA flow through on our growth portfolio will be accelerated through subscriber and revenue growth tactics and continued improvement in productivity across the entire company.

I also anticipate that the NAS losses in our residential business should stabilize as we continue to improve upon our winback execution.

In summary I'm confident that the operational priorities that we outlined in February of 2006 will be continued

and executed upon next year will provide the foundation for improved operating performance going into 2007. So with that let me turn the presentation over to Siim. Siim?

---

**Mr. Siim Vanaselja**

Okay, thanks George, good morning everyone. Let me start with slide 10 outlining the financial benefits of the trust conversion for both the company and our shareholders.

The trust structure clearly optimizes overall tax efficiency that in turn significantly enhances our cash flow generation. In corporate form, BCE's tax shelters would be fully utilized in the first part of 2007, consequently we would begin incurring significant tax liabilities with the 2007 taxation year which would trigger substantially higher levels of cash taxes beginning with our final 2007 tax liability payment in early 2008.

The trust conversion will substantially eliminate federal and provincial corporate income taxes going forward so clearly the timing is appropriate from a tax perspective.

Tax savings from the trust conversion will result in a substantial increase in free cash flow which will be available to fund the higher levels of cash distributions to our shareholders as well as to support ongoing growth in investment programs and debt repayment.

In fact as we move into 2008 we expect the annual savings in cash taxes to substantially fund the increase in annual shareholder distributions.

Collapsing BCE's holding company is also a significant step in making the company more transparent to investors, making it easier to evaluate and track our performance. A single operating company structure will also be more resource efficient for us. And finally all of these benefits of the trust conversion should result in an improved cost of capital for the company and maintain competitiveness in the capital markets across the telecom sector.

On the next slide you'll see that we've provided a high level of clarity for investors on our cash distribution policy and the determination of our initial distribution of \$2.55 per unit.

For 2007 we expect EBITDA less capex to be in the range of \$3.2 to \$3.4 billion. Now this is for Bell Canada

trust excluding Bell Aliant, BGM, Telesat and investees like Clearnet and MSV.

Additional 2007 cash costs include normalized pension contributions which we've conservatively estimated at \$250 to \$275 million, debt service payments of \$825 to \$875 million and cash taxes in the amount of \$50 to \$75 million.

The 2007 cash taxes include normalized cash taxes under a trust structure of approximately \$15 to \$25 million with the balance representing our corporate tax liability payment for the stub period prior to the trust formation.

With these adjustments Bell's expected total cash available for distribution in 2007 should be approximately \$2.1 billion and we're targeting a payout of approximately 85% of that. In addition cash distributions received by Bell from the Bell Aliant trust will be flowed directly through to our unit holders. So with 812 million expected Bell trust units outstanding we are setting an initial cash distribution at \$2.55 per share.

The initial payout ratio should provide an annual cash reserve for our operations in excess of \$300 million. I think this is a good initial cash reserve which should increase going forward with our performance levels.

And a more detailed calculation of the fund's pro forma distributable cash based on historic results will be included in the information circular that we mailed to shareholders.

On the next slide by and large I'd say there are no major issues with respect to the trust conversion and the related amalgamation of BCE and Bell Canada entities into a single operating company structure. We do however intend to make offers to repurchase all outstanding BCE and Bell Canada preferred shares. The trust conversion would subordinate these preferred shares to new inter company debt created under the trust structure.

So in the interest of treating all our stakeholders fairly and equitably redeeming the preferred shares at a reasonable premium to par value is the most appropriate course of action here.

The cost of this redemption, about \$2.8 billion should be fully funded from available cash balances and planned proceeds from the Telesat monetization.

Secondly we also have approximately \$2 billion of long term bonds outstanding with certain consent rights pertaining to the plan of arrangement. We intend to

redeem the callable portion of this debt and hold discussions with the remainder of such debt holders and based on those discussions we will make offers to either redeem or extend that debt based on the bondholders' objectives.

In terms of the balance sheet under a trust structure Bell plans to maintain the same capital structure and credit policies. We've also met with the rating agencies and you may have seen this morning that they issued their ratings report for the company.

As a result of the trust conversion BCE corporate level indebtedness will cease to be structurally subordinated to Bell Canada's credit and the ratings of BCE and Bell will be aligned and effectively placed at the same level.

Based on our current credit metrics and in moving to a consolidated basis of assessment, the Bell Canada trust's long term debt will be rated at least A (low) by DBRS, at BBB+ by S&P and at Baa1 by Moody's.

The rating agency outcomes I'd say were largely in line with our expectations given the increase in distribution levels but overall there should be no significant impact on our liquidity or cost of capital.

DBRS has also confirmed our short term debt rating at R-1 (low) with a stable outlook. And finally DBRS stated in their release that the new Bell Canada trust will be assigned a stability rating of at least STA-2 (high).

So these ratings maintain Bell at a strong investment grade credit. In summary here I'd say that we've simplified our capital structure, increased shareholder distributions and done that without altering our risk profile.

Let me turn to slide 13 on our financial outlook. Today we're reaffirming all of our 2006 consolidated annual guidance as initially provided on February 1<sup>st</sup> and most recently confirmed on August 2<sup>nd</sup>. Given our continued operational progress we do see improving performance levels in 2007, traction on improving operational execution, the continued ramp up in cost savings and stabilizing levels of NAS reductions.

We intend to provide formal 2007 guidance including our usual set of complete financial and operating metrics in mid December.

And finally let me briefly turn to some technical aspects of the transaction and our expected time lines. Logistically this conversion is quite straightforward and will be accomplished by way of a plan of arrangement under the

Canada Business Corporations Act and will be subject to approval by at least two thirds of the votes cast by BCE shareholders. There will be one class of fund units and the exchange of common shares for fund units will be on a one-for-one basis. The transaction also requires the approvals of the courts and the CRTC.

In terms of the expected time line a notice of special meeting of BCE common shareholders will be issued in December. This will be followed by the mailing of an information circular detailing the proposed plan of arrangement for purposes of obtaining shareholder approval at a shareholder meeting that we expect to hold next January. And therefore we anticipate closing at the end of January. So on that note Michael, George and I would be pleased to answer your questions. I'll now turn the call back to Bernard to act as the moderator for those questions.

---

**Mr. Bernard le Duc, Moderator**

Thank you Siim. So moving to Q&A now, obviously we would ask you to keep your questions to topics that are relevant to today's announcement. And in fairness to others in the queue please restrict yourself to one question. So operator could you just remind people of the process for placing a question, then we'll move straight into the first person on the queue.

---

**QUESTION AND ANSWER SESSION**

**Operator**

Our first question will be from Glenn Campbell from Merrill Lynch. Please go ahead.

---

**Glenn Campbell, Merrill Lynch, Analyst**

Yes, thanks very much. Two questions, first I was wondering if you could comment on the 85% planned payout ratio. Is that just for now or do you see that as being appropriate long term? And then second with the integration of Bell and BCE, BCE being essentially folded

in, does the corporate expense line go away in part entirely, would the savings there be above and beyond Galileo and where would the restructuring costs sort of be booked for that? Thanks.

---

**Mr. Michael Sabia**

Let me touch on some of those points Glenn. Look, we've assessed very carefully the issue of payout ratio and the level of distributions in general in a manner that gives us a very high degree of confidence in our ability to continue to invest and grow and develop the business.

So and obviously to continue to support that level of distribution as I said in my comments. That's a very careful piece of work that we've done, we're comfortable with that certainly for the medium term and we'll see as the business develops and progresses over the coming period as to whether or not that needs to be reassessed. But as we speak today we're very comfortable with that and see continuing that.

And then with respect to Bell and BCE there are some savings associated with the roll up of BCE. Something on the order of about \$10 to \$20 million I would say and that is, those are savings that will simply roll into the 2007 plan as we move into 2007 and then that will just roll in and be one of the factors in our overall productivity improvement that we'll talk to the investment community about more fully in December.

---

**Glenn Campbell, Merrill Lynch, Analyst**

Okay, thanks very much and congratulations.

---

**Mr. Michael Sabia**

Thanks Glenn.

**Operator**

Thank you. The following question is from Vince Valentini from TD Newcrest. Please go ahead.

---

**Vince Valentini, TD Newcrest, Analyst**

Hey, thanks very much. A question on capex. I'm assuming from your slides here that in the release where it says planned capital expenditures in the range of \$3.2 to \$3.4 billion that's really, you're not giving any guidance for capex for next year, you're only giving EBITDA minus capex guidance, is that fair to say?

---

**Mr. Siim Vanaselja**

Yes Vince, just to clarify, the outlook that we gave is for EBITDA minus capex to be at \$3.2 to \$3.4 billion. There is no separate capex guidance that we're providing here. But I'd also mention that that EBITDA minus capex outlook would include all of the BCE level corporate expenses in it as well.

---

**Vince Valentini, TD Newcrest, Analyst**

Right, okay. And just in terms of the intensity range heading into next year, I mean you have indicated in the past that you'd be trending down, not up versus the 16 to 17% intensity for, was your guidance for this year. Is that still the case or as a trust do you need to increase that capital spending in order to give yourself a buffer to make sure you don't have to lower distributions going forward?

---

**Mr. Michael Sabia**

Look Vince, we'll talk to the investment community as we normally do when we provide guidance and one of the things we will talk about is the capex intensity of the business going forward.

We do not see the announcement that we made today as something that changes our thinking with respect to our ongoing capex program. That's something that will be driven by our assessment of the needs of the business and our opportunities to grow the business to the benefit of our shareholders and our customers.

So there's nothing intrinsic in this decision that changes the thinking that we have had on capex and we'll be able, and we'll detail that more in December when we meet with you with respect to our outlook.

---

**Vince Valentini, TD Newcrest, Analyst**

Okay, thanks.

---

**Operator**

Thank you. The next question is from Jonathan Allen from RBC Capital Markets. Please go ahead.

---

**Jonathan Allen, RBC Capital Markets, Analyst**

Thanks very much, congratulations on the announcement. Just a question Michael, the, one of the rationale for doing the roll up of BCE was to eliminate the holding company perception of the business. But there still are a few assets notwithstanding the Telesat sale or IPO which seems to be well underway you still have a few other call it almost stranded assets with the Bell Aliant and the Bell Globemedia position.

With Bell Aliant in particular it seemed like the rationale for doing that earlier this year was to create what you viewed as being a more income trust suitable structure. With BCE now becoming an income trust though it brings up the question of whether or not the new Bell Canada trust should in fact hold on to those more stable lines at Bell Aliant.

Just given what's been happening with Bell Nordiq and Bell Aliant this morning is there a plan to eventually consolidate those businesses back into the BCE fold?

---

**Mr. Michael Sabia**

Look Jonathon, let me deal with that, let me deal with a couple of points you've made. One, I can't quite let you get away with the description of Bell Aliant and Bell Globe Media as "stranded" assets because nothing could be further from my thinking about it or indeed nothing could be further from the truth.

Those are important and valuable assets to the company and they will continue to be so. We regard them as integral for different reasons between the two of them, but as integral to the operation of the business and the expansion of the skill sets of the business as we go forward building a company that is the new kind of telecommunications company that Bell is becoming and needs to be to succeed in the future. So first point, don't agree with you on stranded assets but I don't think that probably surprises you. So that's point number one.

Point number two, on Bell Aliant as I said the, our objective in Bell Aliant was to create an organization that can respond instantly, quickly to changes in the competitive environment in smaller communities. And this happens all the time.

I mean recently Videotron changed in entering the Chicoutimi market, required quick response on the part of the leadership of Bell Aliant and it was there. In a period of days the company was able to respond, respond competitively to that, deliver the kind of nimbleness in telecommunications markets that are required to win and to build a business.

So there's real live evidence. Timmins is not the same as Toronto and Chicoutimi is not the same as Montreal. So we're building an organization that is designed to prosper in those smaller communities by putting roots down and being successful there and at the same time exploit the economies of scale in the larger belt. Now that's a unique model, we think it's a model with a lot of interesting opportunities and we want to pursue it. We do see it as a continuing part of the overall operations of Bell.

---

**Jonathan Allen, RBC Capital Markets, Analyst**

So would the 45% ownership that you have now would you say that the inclination would be to continue along the path of reducing that ownership say to the, I think the 20% level rather than consolidating it back in?

---

**Mr. Michael Sabia**

I think right now Jonathon we're comfortable at the 45% level and we'll see what the future brings.

---

**Jonathon Allen, RBC Capital Markets, Analyst**

Okay great, thanks very much Michael.

---

**Mr. Michael Sabia**

Thank you Jonathon.

---

**Operator**

Thank you. The following question is from Dvai Ghose from Genuity Capital. Please go ahead.

---

**Dvai Ghose, Genuity Capital, Analyst**

Yes, thanks very much. If I could just follow on from Jonathon's question Michael, congratulations, you simplified the company and saved a bunch of tax. But does BCE still exist as a corporate entity? Where is the ownership of the non public part of Telesat and where

does the minority ownership in Globemedia and so on sit and the MSV and all the other smaller investments have?

And secondly on a related point your role as a CEO of BCE, if BCE is going to cease to exist what is your role in the future of the company Michael?

---

**Mr. Siim Vanaselja**

Dvai with respect to the first part of your question, under the plan of arrangement we will be amalgamating BCE, Bell Canada, Bell Mobility and all of the other wholly owned subsidiary companies within the Bell Canada group.

That amalgamated corporation will continue to exist sitting right below the public income trust and it's that amalgamated entity that will own those various investee companies that you made reference to.

---

**Dvai Ghose, Genuity Capital, Analyst**

So to an extent aren't you just taking the discount at the holdco BCE level and putting it at the Bell Canada level?

---

**Mr. Siim Vanaselja**

I don't think that there should be any significant holding company discount tied up in those assets under that structure.

---

**Dvai Ghose, Genuity Capital, Analyst**

But it still owns the same assets as BCE did, the only difference is Bell Canada is now a trust.

---

**Mr. Siim Vanaselja**

But we've, as Michael outlined we've taken steps to divest the non core assets CGI, the majority stake that we had in BGM and so forth. So the only assets that remain are the strategic 45% interest that we'll hold in the Bell Aliant trust and whatever our ownership goes down to in Telesat following our monetization initiatives.

---

**Dvai Ghose, Genuity Capital, Analyst**

Okay, great, and Michael so if there's no Bell, BCE is your role then as CEO of Bell Canada going forward?

---

**Mr. Michael Sabia**

Yes Dvai, that's correct, that's what the role has been and that's what the role will continue to be.

---

**Dvai Ghose, Genuity Capital, Analyst**

Great, congratulations, thank you.

---

**Operator**

Thank you. The following question is from Peter Rhamey from BMO Capital Markets. Please go ahead.

---

**Peter Rhamey, BMO Capital Markets, Analyst**

Yes, great, thanks and congratulations on your transaction. Two questions, pretty straightforward. On Telesat I noticed you're using \$1 billion of monetization.

That I believe was the original guidance in '06. If I take a look at what you filed publicly plus you're releveraging to that entity you're probably coming in north of that in terms of monetization, you're not assuming that you'd actually sell the whole thing outright. So maybe perhaps Siim could confirm that.

And the second thing on the tax, you mentioned \$15 to \$20 million was the ongoing corporate tax that you would, you're using fifty to seventy five. So to a certain extent on a recurring basis looking at '08 numbers there's some upside to the tax number.

---

**Mr. Siim Vanaselja**

Yes, let me address the tax number first. You're right, \$15 to \$20 or \$25 million is the normalized amount of cash taxes that we would see going forward. And as I said in the 2007 year in particular we will have a little bit of corporate tax liability to pay. With respect to your question on Telesat I believe that given our filing of a preliminary prospectus with the Securities Commission on Telesat it would be inappropriate for us to talk about what level of IPO of Telesat we think we can get and what level of proceeds might be received there. So I'd ask to defer that question until we complete our marketing efforts on Telesat.

---

**Peter Rhamey, BMO Capital Markets, Analyst**

Fair enough Siim but could you perhaps give us some sense of in releveraging Telesat what proceeds you received as Bell Canada or BCE?

---

**Mr. Siim Vanaselja**

Well we have said that in releveraging, recapitalizing and IPO Telesat we expect to generate at least a billion dollars of proceeds.

**Mr. Michael Sabia**

But Peter let me also just jump in here for a moment and just so that we're crystal clear cause there's been lots of commentary and observation about this with respect to Telesat.

As we said we would we've made all the preparations and filed to take the company public this year. We have also I think as the investment community is well aware received a great many expressions of interest on the part of other satellite operators, financial sponsors, etcetera.

And we are now engaged in a process whereby we are continuing to move the company down both of those paths and we're very fortunate to have succeeded in recruiting a really an outstanding satellite executive in Dan Goldberg who has tremendous experience actually down both of those paths in his previous life at New Sky.

So the company from a leadership and operationally and strategically is very well positioned to give us a lot of choice making capability as we go forward over the coming weeks with respect to which of those two paths we'll choose to go down and at the end of the day you know that will be very much influenced by our assessment of the value available to us and therefore to our shareholders and also obviously an approach that is in the best interests of Telesat itself.

So there'll be more developments on this as we go forward over the coming weeks and months between now and the end of the year.

---

**Peter Rhamey, BMO Capital Markets, Analyst**

Great, I'll look forward to that. Thank you Michael.

---

**Mr. Michael Sabia**

Thank you.

---

**Operator**

Thank you. The following question is from John Henderson of Scotia Capital. Please go ahead.

---

**John Henderson, Scotia Capital, Analyst**

Yes, thank you. I just want to confirm quickly no advanced tax ruling is being sought on this transaction and then I have a quick follow up.

---

**Mr. Siim Vanaselja**

John that's correct. It's a fairly straightforward amalgamation of the various Bell BCE group entities.

---

**John Henderson, Scotia Capital, Analyst**

Okay. Could you comment on how your distributable cash flow is defined? Will it include or does it include any provisions for restructuring charges? I see some provision for pension costs in there, any other one time capex items for sort of unusual events or that sort of thing?

---

**Mr. Siim Vanaselja**

Yes John that again will be more clearly detailed in the information circular but essentially there will be two items that will be excluded from the calculation of distributable income. The first would be any restructuring costs that we incur and certainly going forward our expectation is to focus on doing that largely through attrition.

Secondly would be some level of excess pension deficit funding that we would expect to fund over the next couple of years in order to get the pension plan effectively back into a no deficit position where the \$250 to \$275 million of annual funding that you see on slide 12 would be sufficient to carry the pension plan going forward.

So with those two adjustments there's essentially nothing else of significance that would be of cash nature that we're excluding from the calculation of distributable income.

---

**John Henderson, Scotia Capital, Analyst**

Okay, so the pension will be, should be staying in that range of the \$250 to \$275 or whatever?

---

**Mr. Siim Vanaselja**

Yes, we have, we're expecting to have a solvency deficit at the end of the year of about \$500 million assuming no further changes in long term interest rates. As you know the May federal budget enabled us to amortize that deficit over a ten year period. So while the current service portion required defined benefit plan contributions would be funded out of distributable income the deficit funding or at least the portion of that deficit funding would be funded out of cash reserves and working capital balances.

And based on our projections as I said as we make that funding and within about three or four years we see the pension plan getting back to a balanced solvency position.

---

**John Henderson, Scotia Capital, Analyst**

Great, thanks a lot Siim.

---

**Mr. Siim Vanaselja**

Okay.

---

**Operator**

Thank you. The next question is from Jeffery Fan from UBS Securities. Please go ahead.

---

**Jeffery Fan, UBS Securities, Analyst**

Thanks very much. Just a quick question on your outlook with respect to EBITDA less capex. I know you're going to provide more specific guidance later on before the end of the year. But if we were to look out, Bell Aliant kind of guidance of about 2 to 3% cash flow growth or available cash for distribution growth, do you guys see yourself being in that kind of range or can you just provide a little bit of qualitative comment around that? Thanks.

---

**Mr. George Cope**

It's George, we will as Siim talked about we'll take the streets through that in the December time frame. Obviously the EBITDA is driven by, the cash flow number is driven by what EBITDA growth and what the capex number will be. So we'll give more specific around that going forward other than clearly to say that we're going to obviously be driving towards improved cash flow generation off the operations next year.

---

**Jeffery Fan, UBS Securities, Analyst**

Okay, great.

---

**Mr. Bernard le Duc, Moderator**

I think we have time for just one more question now. We'll move to the last person please operator.

---

**Operator**

Thank you very much. The last question will be from Randal Rudniski from Credit Suisse. Please go ahead.

---

**Randal Rudniski, Credit Suisse, Analyst**

Thanks, just one question on the Bell income fund normalized cash taxes. Siim you indicated that it would be \$15 to \$20 million going forward. Can you sustain that level with 85% payout ratio or will the cash tax rate rise if the payout ratio stays at that level?

---

**Mr. Siim Vanaselja**

Well the amount of cash taxes payable within the trust is going to be dependent on a number of levers. One is the level of taxable income, secondly as you say the amount of distribution that we pay out to shareholders.

At the current payout ratio with no subsequent increases and growth in the company's performance and growth in taxable income at the operating entity levels that cash tax liability would begin to increase.

---

**Randal Rudniski, Credit Suisse, Analyst**

Okay, thank you.

---

**Mr. Bernard le Duc, Moderator**

Well thank you everybody for joining us, Michael do you have a couple of closing remarks?

---

**Mr. Michael Sabia**

Well yes, just thanks everyone for joining us. Again two we think important announcements today. One on BCE that both streamlines the company and I think importantly conveys the depth of our conviction with respect to the strategic direction of the company which is built around and on Bell.

And then second on that point, I think now with the operating progress being made the trusting of the company reflecting our confidence that we can one, in that capital structure continue to grow the business and make this company the innovation leader that it is and will be and always will be in the future.

And second, that we'll be able to support the distributions obviously of an income fund structure. So I think two positive announcements for the future of the company confirming the progress that we've made in opening the door to a lot of the exciting things that we'll be doing in the coming months and years. So thanks a lot for joining us and we'll look forward to following up with you independently. Thanks.

---

**Operator**

Thank you. The conference has now ended. Please disconnect your lines at this time. We thank you for your participation and have a nice day.

---