



July 11, 2012

## Notice to Holders of BCE Inc. Series AB Preferred Shares

Dear Shareholder,

This letter and the attached Notice of Conversion Privilege have been sent to the holders of BCE Inc. Cumulative Redeemable First Preferred Shares, Series AB (the "Series AB Preferred Shares").

Beginning on July 18, 2012 and ending on August 22, 2012, holders of Series AB Preferred Shares will have the right to choose one of the following options with regards to their shares:

1. To retain any or all of their Series AB Preferred Shares and continue to receive a floating monthly dividend; or
2. To convert, on a one-for-one basis, any or all of their Series AB Preferred Shares into BCE Inc. Cumulative Redeemable First Preferred Shares, Series AA (the "Series AA Preferred Shares") and receive a fixed quarterly dividend.

Effective September 1, 2012, the fixed dividend rate for the Series AA Preferred Shares will be set for a five-year period as explained in more detail in paragraph 5 of the attached Notice of Conversion Privilege. **Should you wish to receive a fixed quarterly dividend for the five-year period beginning September 1, 2012, you must elect to convert your Series AB Preferred Shares into Series AA Preferred Shares as explained in more detail in the attached Notice of Conversion Privilege. However, should you wish to continue receiving a floating monthly dividend, you do not need to take any action with respect to this notice.**

In order to convert your shares, you must exercise your right of conversion during the conversion period, which runs from July 18, 2012 to August 22, 2012, inclusively.

Holders of both the Series AB Preferred Shares and the Series AA Preferred Shares will have the opportunity to convert their shares again on September 1, 2017, and every five years thereafter as long as the shares remain outstanding.

Should you require advice as to whether to exercise your conversion privilege, please contact your investment advisor.

If you cannot locate your share certificate or have any questions about the steps to be followed, please contact Canadian Stock Transfer Company Inc., at 1-800-561-0934, acting as administrative agent for CIBC Mellon Trust Company, the transfer agent and registrar for BCE Inc.'s preferred shares.

Please see the attached Notice of Conversion Privilege for further details.

Yours sincerely,

S. A. Vanaselja  
*Executive Vice-President and Chief Financial Officer*



## NOTICE OF CONVERSION PRIVILEGE

### TO ALL HOLDERS OF CUMULATIVE REDEEMABLE FIRST PREFERRED SHARES, SERIES AB (the “Series AB Preferred Shares”) OF BCE INC.

NOTICE IS HEREBY GIVEN THAT:

1. Holders of BCE Inc. Series AB Preferred Shares have the right to convert all or part of their shares, effective on September 1, 2012, on a one-for-one basis into Cumulative Redeemable First Preferred Shares, Series AA of BCE Inc. (the “Series AA Preferred Shares”).
2. Holders not wishing to convert or who do not comply with the instructions set out in paragraph 3 below by the appropriate deadline will, subject to paragraph 6 below, retain their Series AB Preferred Shares and, accordingly, will continue to receive a monthly floating dividend as described in paragraph 4 below. However, but subject to paragraph 6 below, on September 1, 2017, and every five years thereafter, holders of both Series AB Preferred Shares and Series AA Preferred Shares will have the right to convert their shares into shares of the other series.
3. Registered holders electing to convert all or part of their Series AB Preferred Shares into Series AA Preferred Shares must complete and sign the conversion panel on the back of their Series AB Preferred Share certificate and deliver it, at the latest by 5:00 p.m. (Eastern time) on August 22, 2012, to one of the following addresses of Canadian Stock Transfer Company Inc. (“Canadian Stock Transfer”):

**By Mail:**

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P.O. Box 1036  
Adelaide Street Postal Station  
Toronto, (Ontario) M5C 2K4  
CANADA  
Attention: Corporate Restructures

**By Personal Delivery, Courier or Registered Mail:**

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320 Bay Street, B1 Level  
Toronto (Ontario) M5H 4A6  
CANADA  
Attention: Corporate Restructures

Delivery may be done in person, by courier, by registered mail or by mail. However, if share certificates are delivered by courier, by registered mail or by mail, shareholders must ensure that they are sent sufficiently in advance so that they are received by Canadian Stock Transfer by the above-mentioned deadline.

4. As of September 1, 2012, the Series AB Preferred Shares, should they remain outstanding, will continue to pay a monthly floating dividend based on a dividend rate that will fluctuate over time between 50% and 100% of the Prime rate (“Prime”) for each month computed in accordance with the articles of BCE Inc. Accordingly, from September 1, 2012, the holders of Series AB Preferred Shares will continue to be entitled to receive floating adjustable cash dividends, as and when declared by the Board of Directors of BCE Inc., to be paid on the twelfth day of the subsequent month. The dividend rate will be adjusted upwards or downwards on a monthly basis by an Adjustment Factor (as described below) whenever the Calculated Trading Price, being the market price of the Series AB Preferred Shares computed in accordance with the articles of BCE Inc., is \$24.875 or less or \$25.125 or more, respectively. The Adjustment Factor for a month will be based on the Calculated Trading Price of the Series AB Preferred Shares for the preceding month determined in accordance with the following table:

If the Calculated Trading Price for the preceding month is:	The Adjustment Factor as a percentage of Prime shall be:
\$25.50 or more	- 4.00%
\$25.375 and less than \$25.50	- 3.00%
\$25.25 and less than \$25.375	- 2.00%
\$25.125 and less than \$25.25	- 1.00%
Greater than \$24.875 and less than \$25.125	nil
Greater than \$24.75 to \$24.875	+ 1.00%
Greater than \$24.625 to \$24.75	+ 2.00%
Greater than \$24.50 to \$24.625	+ 3.00%
\$24.50 or less	+ 4.00%

The maximum Adjustment Factor for any month will be  $\pm 4.00\%$  of the average Prime rate for the month.

Based on the foregoing, the annual floating dividend rate for any month shall be the rate of interest expressed as a percentage per annum equal to: (a) Prime for such month, multiplied by (b) the Designated Percentage for such month, with the Designated Percentage being the Adjustment Factor for such month plus the Designated Percentage for the preceding month. The annual floating dividend rate applicable for a month will in no event be less than 50% of Prime nor will it be greater than Prime.

The following formula illustrates the manner of computing the annual floating dividend rate applicable to the month of September 2012:

$$\text{Annual floating dividend rate for September 2012} = \text{Prime for September 2012} \times \text{Designated Percentage for September 2012}^*$$

\* The Designated Percentage for the month of September 2012 is the sum of:

- (a) the Adjustment Factor for the month of September 2012 based on the Calculated Trading Price for the month of August 2012; and
  - (b) the Designated Percentage for the month of August 2012.
5. As of September 1, 2012, the Series AA Preferred Shares, should they remain outstanding, will pay, on a quarterly basis, as and when declared by the Board of Directors of BCE Inc., a fixed cash dividend for the following five years that will be determined by BCE Inc. on August 7, 2012 but which shall not be less than 80% of the five-year Government of Canada Yield (as defined in BCE Inc.'s articles) compounded semi-annually and computed on August 7, 2012 by two investment dealers appointed by BCE Inc.. The annual dividend rate applicable to the Series AA Preferred Shares will be published on August 9, 2012 in the national edition of The Globe and Mail, the Montreal Gazette and La Presse and will be posted on BCE Inc.'s website at [www.bce.ca](http://www.bce.ca).
  6. After August 22, 2012, if BCE Inc. determines that there would be less than 2,500,000 Series AB Preferred Shares outstanding after the conversion date (September 1, 2012), BCE Inc. will automatically convert all remaining Series AB Preferred Shares into Series AA Preferred Shares. However, if BCE Inc. determines that there would be less than 2,500,000 Series AA Preferred Shares outstanding after the conversion date, then no Series AB Preferred Shares will be converted into Series AA Preferred Shares.

## **INSTRUCTIONS WITH RESPECT TO SIGNATURES FOR REGISTERED HOLDERS**

The signature of registered holders in the conversion panel must correspond to the name as written upon the face of the share certificate in every particular without any change whatsoever and must be guaranteed by an “Eligible Institution” or in some other manner satisfactory to Canadian Stock Transfer.

If the conversion panel is signed by a person such as an executor or trustee, or on behalf of a corporation, partnership or association, or is executed by any other person acting in a representative capacity, the signature must be guaranteed by an “Eligible Institution” or in some other manner satisfactory to Canadian Stock Transfer and the share certificate must be accompanied by satisfactory evidence of authority to act.

An “Eligible Institution” means a Canadian Schedule 1 chartered bank, a member of the Securities Transfer Agent Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc Medallion Signature Program (MSP). Members of these programs are usually members of a recognized stock exchange in Canada and the United States, members of the Investment Industry Regulatory Organization of Canada, members of the National Association of Securities Dealers of banks and trust companies in the United States. Signature guarantees are not accepted from treasury branches, credit unions or caisses populaires unless they are members of the STAMP Medallion Program.

BCE Inc. or its transfer agent may, in their discretion, require additional evidence of authority or additional documentation.

DATED at Montréal, this 11<sup>th</sup> day of July, 2012.

BCE Inc.