



June 15, 2016

## Tax Discussion with Illustrative Numerical Examples (“Examples”)

The following Examples are generally applicable to Shareholders of Manitoba Telecom Services Inc. (the “Company”) each of whom is an individual resident in Canada subject to income tax under the Tax Act and who, for purposes of the Tax Act, holds and will hold, as capital property Company Shares, any Purchaser Subco Shares or BCE Common Shares, as applicable, acquired pursuant to the Arrangement; deals at arm’s length with each of the Company, Purchaser Subco, and BCE; is not affiliated with the Company, Purchaser Subco or BCE; and who disposes of Company Shares to Purchaser Subco or BCE, as applicable, pursuant to the Arrangement (each a “Resident Holder”) for Cash Consideration or Share Consideration or a combination of Cash and Share Consideration under the mechanism for Proration described in the Arrangement.

These Examples are of a descriptive nature only and are not intended to be, nor should be construed to be, legal or tax advice or representations to any particular Holder. These Examples are not exhaustive of all Canadian federal income tax considerations. **Accordingly, Holders are urged to consult their own legal and tax advisors with respect to the tax consequences having regard to their particular circumstances, including the application and effect of the income and other tax laws of any country, province or other jurisdiction that may be applicable to the Holder.** For a more detailed discussion of income tax considerations, please refer to the commentary under *Certain Canadian Federal Income Tax Considerations* starting on page 85 of the [Information Circular](#).

### General comments/assumptions applicable herein:

1. Cash consideration is \$40.00 for each Company Share.
2. Each BCE Common Share is valued at \$59.21 per share.
3. Share Consideration is 0.6756 of BCE Common Shares for each Company Share (\$40.00). (In certain circumstances, Company Shareholders may, under the Arrangement, first receive shares in Purchaser Subco, which, following receipt, will be exchanged for BCE Common Shares. This latter exchange should also qualify for an automatic tax “roll-over”, under the same conditions as are discussed below.)
4. To the extent a Resident Holder has allowable capital losses carried forward from prior taxation years, these allowable capital loss carry forwards may be applied to reduce any taxable capital gains realized by the Resident Holder on the disposition of the Company Shares.
5. To the extent a Resident Holder incurs allowable capital losses in respect of the disposition of other capital properties in the same taxation year in which the Company Shares are disposed of, those allowable capital losses would reduce any taxable capital gains realized by the Resident Holder on the disposition of the Company Shares.

6. Costs of disposition (i.e. brokerage fees/advisory fees/ etc.) have been ignored for purposes of these Examples. Actual qualifying disposition costs incurred should be deductible in computing any gain or loss on the disposition of Company Shares.
7. Any cash proceeds received in lieu of a fractional share is disregarded in the Examples.

**Example 1 – Receive Only Cash Consideration**

Where a Resident Holder receives only cash, the particular Resident Holder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (“**POD**”), i.e. cash received, exceeds the adjusted cost base (“**ACB**”) of the Company Shares (or vice versa).

The following example illustrates the tax consequences to a Resident Holder who disposed of 100 Company Shares for \$4,000 cash (\$40 x 100) and one of the following values for ACB applies:

ACB of \$13/Company Share	ACB of \$25/Company Share	ACB of \$32/Company Share
POD = 4,000	POD = 4,000	POD = 4,000
Less: ACB = <u>1,300</u>	Less: ACB = <u>2,500</u>	Less: ACB = <u>3,200</u>
Capital gain = 2,700	Capital gain = 1,500	Capital gain = 800

**Example 2 – Receive Only BCE Common Shares**

Where a Resident Holder receives only BCE Common Shares, the entire capital gain or capital loss will be deferred pursuant to an automatic tax-deferred “rollover”. No election forms are required to effect such an automatic roll-over.

The particular Resident Holder may choose to report the **entire** capital gain or capital loss on his/her tax return. Reporting the capital gain or capital loss will override the automatic tax-deferred “rollover” otherwise applicable.

A Resident Holder who wishes to report a portion of the capital gain or capital loss should consult such Resident Holder’s own tax advisor including the potential for filing a Tax Election jointly with BCE (as described on page 87 of the [Information Circular](#)).

**Example 3 – Receive a Combination of Cash Consideration and BCE Common Shares based on a 45%/55% Split Respectively**

***(a) Received a Combination of BCE Common Shares and Cash – With Tax Election***

Where a Resident Holder disposes of Company Shares for a combination of Cash Consideration and BCE Common Shares due to the proration mechanism in the Arrangement, and chooses to defer some or all of the capital gain, the Resident Holder must file a Tax Election jointly with BCE. Note that the elected amount cannot be lower than cash received or lower than the ACB. The elected amount also cannot exceed the fair market value (FMV) of the total consideration received of \$40 per Company Share.

Where ACB is higher than the total POD (ie. Company Share ACB is greater than \$40), filing a Tax Election would not provide any tax benefit.

The following examples illustrate the tax consequences using three different ACB amounts where a Resident Holder has 100 Company Shares and Cash Consideration received is \$1,800 and Share Consideration received is 37 BCE common shares and a Tax Election is filed to defer the maximum allowed capital gain.

Tax Election	ACB = \$13/Company Share	ACB = \$25/Company Share	ACB=\$32/Company Share
Defer the maximum allowed capital gain	Elected amount = POD = 1,800 ACB = 1,300 Capital gain = 500 <sup>(1)</sup> ACB of BCE Shares = 0	Elected amount = POD = 2,500 ACB = 2,500 Capital gain = 0 ACB of BCE Shares = 700	Elected amount = POD = 3,200 ACB = 3,200 Capital gain = 0 ACB of BCE Shares = 1,400

(1) The elected amount cannot be lower than the cash received, accordingly, the Resident Holder will have, in this example, a capital gain of \$500.

The ACB of the BCE shares received is calculated taking the elected amount for the Company Shares and subtracting the Cash Consideration received.

**(b) Received a Combination of BCE Common Shares and Cash - No Tax Election**

Where a Resident Holder exchanges Company Shares for a combination of Cash Consideration and BCE Common Shares due to the proration mechanism in the Arrangement, the particular Resident Holder will realize a capital gain if a Tax Election is **not** filed jointly with BCE (Unlike Example 2, this share exchange does not qualify for the automatic roll-over, where cash consideration exceeds a \$200 threshold for fractional shares).

The following examples illustrate the tax consequences where a Resident Holder has 100 Company Shares and Cash Consideration received is \$1,800 and Share Consideration received is 37 BCE Common Shares using one of the following ACB amounts and no Tax Election is filed:

No Tax Election	ACB = \$13/Company Share	ACB = \$25/Company Share	ACB=\$32/Company Share
Holder will receive \$18.00 cash and 0.37 BCE Common Shares for each Company Share	POD = 4,000 Less: ACB = <u>1,300</u> Capital gain = 2,700 ACB of BCE Shares = 2,200	POD = 4,000 Less: ACB = <u>2,500</u> Capital gain = 1,500 ACB of BCE Shares = 2,200	POD = 4,000 Less: ACB = <u>3,200</u> Capital gain = 800 ACB of BCE Shares = 2,200

The ACB of the BCE shares received is calculated by taking the POD of the Company Shares and subtracting the Cash Consideration received.

Please note the POD is \$40 per Company Share or \$4,000 for 100 shares even if you don't receive \$4,000 in cash.

### **Calculating the ACB of Company Shares**

The ACB of Company Shares will usually be the price paid for the shares plus any expenses to acquire them, such as commission fees. Calculating the ACB is necessary to determine the actual cost of the shares for capital gains and loss purposes.

When determining the ACB all reinvested dividends must be included. The total cost is then divided by the total number of shares owned to determine the cost per share.

Please check all applicable financial records, including your broker statements and, if applicable, your Dividend Reinvestment Plan statements, for information on the ACB of Company Shares and consult with your professional investment or tax advisor.