

February 18, 2011

In the Matter of
the Securities Legislation of
Nova Scotia and Ontario
(the **Application Jurisdictions**)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
Bell Aliant Inc. and Bell Aliant Regional Communications Inc.
(the **Filers**)

DECISION

Background

The securities regulatory authority or regulator in each of the Application Jurisdictions (collectively, the **Decision Makers**) has received an application from the Filers for a decision under the securities legislation of the Application Jurisdictions (the **Legislation**) granting:

1. Bell Aliant Preferred Equity Inc. (the **Issuer**) relief from:

- (a) the continuous disclosure requirements contained in National Instrument 51-102 -- *Continuous Disclosure Obligations* (NI 51-102), as amended from time to time (the **Continuous Disclosure Requirements**);
- (b) the certification requirements contained in National Instrument 52-109 -- *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), as amended from time to time (the **Certification Requirements**);
- (c) the audit committee requirements contained in National Instrument 52-110 -- *Audit Committees* (NI 52-110), as amended from time to time (the **Audit Committee Requirements**);
- (d) the corporate governance disclosure requirements contained in National Instrument 58-101 -- *Disclosure of Corporate Governance Practices* (NI 58-101) as amended from time to time (the **Corporate Governance Requirements**);

(the Continuous Disclosure Requirements, the Certification Requirements, the Audit Committee Requirements and the Corporate Governance Requirements are collectively referred to as the **Disclosure Requirements**); and

- (e) the qualification requirements of Part 2 of National Instrument 44-101 – *Short Form Prospectus Distributions (NI 44-101)*, as amended from time to time, such that the Issuer is qualified to file a prospectus in the form of a short form prospectus (the **Short Form Prospectus Eligibility Requirements**);
 - (f) the disclosure requirements contained in Item 6 (Earnings Coverage Ratios) and Item 11 (Documents Incorporated by Reference) of Form 44-101F1, with the exception of Item 11.1(1)(5) of Form 44-101F1, in respect of the Issuer, as applicable (the **Specified Form 44-101F1 Disclosure Requirements**); and
 - (g) the requirement in Section 2.8 of NI 44-101 to file a notice of intention to file a short form prospectus no fewer than 10 business days prior to a filing of a preliminary short form prospectus (the **Notice of Intention Requirement**).
2. the insiders of the Issuer relief from the insider reporting requirements in the Securities Act, R.S.O.1990, c. S.5, as amended (the **Act Insider Reporting Requirements**) and the insider reporting requirements in National Instrument 55-104 -- *Insider Reporting Requirements and Exemptions* (the **NI 55-104 Insider Reporting Requirements**, collectively with the Act Insider Reporting Requirements, the **Insider Reporting Requirements**).

The Decision Makers have received an application from the Filers for a decision under the Legislation that the application for this decision, the supporting materials and this decision (collectively, the **Confidential Material**) be kept confidential pursuant to Section 5.4 of National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions (NP 11-203)*, as amended from time to time until the earlier of (i) the date on which the Filers issue and file a joint news release announcing the Offering (as defined herein); (ii) the date on which the Issuer files a preliminary prospectus in connection with the Offering in reliance on the relief granted pursuant to the Short Form Prospectus Eligibility Requirements and the Notice of Intention Requirement; (iii) the date that the Filers advise the Decision Makers that there is no longer any need for the Confidential Material to remain confidential; and (iv) the date that is 90 days after the date of this decision (the **Request for Confidentiality**).

Under NP 11-203 (for a dual review application):

- (a) the Nova Scotia Securities Commission is the principal regulator for this application;
- (b) the application is being filed with the principal regulator and the Ontario Securities Commission; and
- (c) the Filers have provided notice that Section 4.7(1) of Multilateral Instrument 11-102 – *Passport System (MI 11-102)* is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Yukon, the Northwest Territories and Nunavut (the **Other Jurisdictions** and together with the **Application Jurisdictions**, the **Jurisdictions**).

Interpretation

Terms defined in NI 44-101 – *Definitions* and MI 11-102 have the same meanings if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filers:

The Conversion Transaction

1. On October 31, 2006, the Minister of Finance (Canada) announced proposals to change the Canadian federal income tax rules governing "specified investment flow-through" entities, including income trusts such as Bell Aliant Regional Communications Income Fund (the **Fund**), which changes were to become effective beginning in 2011.
2. As a result, the Fund and certain of its subsidiaries implemented a transaction to convert the Fund's income trust structure into a corporate structure (the **Conversion Transaction**) by way of a court-approved plan of arrangement pursuant to Section 192 of the *Canada Business Corporations Act* (the **CBCA**). The Conversion Transaction was completed on January 1, 2011.
3. Under the Conversion Transaction, unitholders of the Fund exchanged their fund units for common shares of Bell Aliant Inc., a new corporation established by the Fund. Upon completion of the Conversion Transaction, Bell Aliant Inc. became the successor reporting issuer to the Fund.
4. As part of the Conversion Transaction, certain of the Fund's direct and indirect subsidiaries were wound up to simplify the corporate structure. Bell Aliant Regional Communications Holdings, Limited Partnership (**Bell Aliant Holdings LP**) transferred its assets to a subsidiary which amalgamated with Bell Aliant Regional Communications Holdings Inc. (**Bell Aliant Holdings GP**) and the "pre-Conversion Transaction" Bell Aliant Regional Communications Inc. (**Bell Aliant GP**) to form Bell Aliant Regional Communications Inc. (**Bell Aliant Amalco**). Bell Aliant Regional Communications, Limited Partnership (**Bell Aliant LP**) remains in existence as the principal operating entity through which Bell Aliant Inc. provides a wide range of voice and data communications services as well as technology services and value-added business solutions to customers across Atlantic Canada, Ontario and Québec.

The Issuer

5. The Issuer was incorporated on January 31, 2011 under the CBCA as a wholly-owned subsidiary of Bell Aliant Amalco.
6. The registered and head office of the Issuer is located in Halifax, Nova Scotia.
7. The Issuer is not a reporting issuer, or the equivalent, in any of the Jurisdictions. On February 11, 2011, the Issuer filed a notice of intention to file a short form prospectus pursuant to Section 2.8 of NI 44-101; however, the Issuer may wish to file a short form prospectus prior to February 25, 2011 (the expiry of the 10 business day period set forth in Section 2.8 of NI 44-101).
8. The authorized share capital of the Issuer consists of an unlimited number of common shares (**Common Shares**) and an unlimited number of preference shares issuable in series (**Preferred Shares**).

9. The only voting securities of the Issuer are the Common Shares, all of which are held by Bell Aliant Amalco. No Preferred Shares will be issued until the completion of the Offering.
10. The directors of the Issuer may from time to time authorize the issuance of Preferred Shares in one or more series, each series to consist of such number of shares as will before issuance thereof be fixed by the directors who will at the same time determine the designation, rights, privileges, restrictions and conditions attaching to that series of Preferred Shares. Subject to applicable corporate law, the Preferred Shares of each series shall be generally non-voting and the holders thereof shall not be entitled to receive notice of any meeting of shareholders, provided that the designation, rights, privileges, restrictions and conditions may provide that if the Issuer shall fail, for a specified period, to pay dividends at the prescribed rate on any series of the Preferred Shares, and for so long as any such dividends shall remain in arrears, the holders of that series of Preferred Shares shall be entitled to receive notice of, to attend and vote at all meetings of shareholders of the Issuer, except meetings at which only holders of a specified class or series of shares are entitled to attend and vote (the **Issuer Preferred Voting Rights**).
11. It is proposed that the Issuer offer and issue Cumulative 5-Year Rate Reset Preferred Shares (**Series A Preferred Shares**) under a short form prospectus (the **Offering**). The Series A Preferred Shares will be convertible, at a date that is more than five years from the issue date and every five years thereafter (the **Conversion Date**) at the option of the holder, into an equal number of Cumulative Floating Rate Preferred Shares, Series B of the Issuer (**Series B Preferred Shares**). The Series A Preferred Shares will carry a fixed dividend rate until the initial Conversion Date. As at each Conversion Date, the dividend rate will be reset based upon a specified spread above benchmark Canadian government bonds.
12. The Series B Preferred Shares will be convertible, at each Conversion Date (other than the first) at the option of the holder, into an equal number of Series A Preferred Shares. The Series B Preferred Shares will carry a floating dividend rate that will be reset every quarter based upon a specified spread above 90-day Government of Canada Treasury Bills.
13. The purpose of the conversion right attached to each of the Series A Preferred Shares and the Series B Preferred Shares is to allow the holder to decide every five years whether to receive a fixed-rate or a floating-rate dividend for the next five years.
14. The Issuer will operate as a sole-purpose financing company and will have no significant assets or liabilities and will not have any ongoing business operations of its own. It is intended that the Issuer will lend the net proceeds of the Offering to Bell Aliant Amalco, which in turn intends to lend substantially all of such amount to Bell Aliant LP.
15. In addition to the Issuer Preferred Voting Rights, it is intended that the holders of Series A Preferred Shares and Series B Preferred Shares will have a director nomination right with respect to Bell Aliant Inc. under an agreement between the Issuer and Bell Aliant Inc. In the event that the Issuer shall fail to pay six quarterly dividends on the Series A Preferred Shares and/or the Series B Preferred Shares, as applicable, at the applicable dividend rate for such shares, whether or not consecutive and whether or not such dividends were declared (such failure, an **Exercise Event**), the holders of Series A Preferred Shares and/or Series B Preferred Shares, as applicable, together with the holders of any other Preferred Shares of the Issuer with respect to which any nomination

- right as a result of the failure of the Issuer to pay dividends is then in force, will have the right, acting together as a group, to direct the Issuer to propose one nominee to stand for election as a director of Bell Aliant Inc. If an Exercise Event has occurred, the Issuer will notify applicable holders of Preferred Shares and provide a means for such holders to select a nominee. When all such accrued but unpaid dividends are paid in full, the foregoing right shall cease.
16. Bell Aliant Inc. will agree with the Issuer to nominate the nominee so designated by the Issuer in order to be considered for election by shareholders of Bell Aliant Inc. at meetings of Bell Aliant Inc. shareholders following a specified period after the Issuer's failure to pay the dividends as set forth in paragraph 15 above.
 17. In addition, if an Exercise Event has occurred, and at the time of such occurrence BCE Inc. does not have the right to direct Bell Aliant Inc. with respect to the nomination of a majority of the nominees to stand for election as directors of Bell Aliant Inc., Bell Aliant Inc. will agree that, subject to certain conditions, its board will promptly appoint an individual selected by the holders of Series A Preferred Shares and/or Series B Preferred Shares, as applicable, together with the holders of any other Preferred Shares of the Issuer with respect to which an Exercise Event has occurred, acting together as a group, as a director of Bell Aliant Inc.
 18. The appointment right described in paragraph 17 above shall cease, and the term of any director so appointed shall expire, at the close of the next annual meeting of shareholders of Bell Aliant Inc.; provided that, if an applicable Exercise Event is ongoing, such individual, or another individual selected by the holders of Series A Preferred Shares and/or Series B Preferred Shares, as applicable, together with the holders of any other Preferred Shares of the Issuer with respect to which an Exercise Event has occurred, acting together as a group, will be nominated for election as a director by shareholders of Bell Aliant Inc. at such next annual meeting.
 19. Bell Aliant Amalco will provide a full and unconditional guarantee of the payments to be made by the Issuer in respect of the Preferred Shares and holders of such securities will be entitled to receive payment from Bell Aliant Amalco within 15 days of any failure by the Issuer to make a payment, as contemplated by paragraph (d) of the definition of "designated credit support security" in NI 51-102.
 20. Accordingly, Bell Aliant Amalco will be a "parent credit supporter" (as defined in NI 51-102) and the Issuer will be a "credit support issuer" (as defined in NI 51-102).
 21. The Series A Preferred Shares and the Series B Preferred Shares would be "designated credit support securities" (as defined in NI 51-102), but for the fact that they will be convertible into the Issuer's own preference shares as opposed to being either non-convertible or convertible into securities of the parent credit supporter.
 22. It is proposed that the Issuer will distribute the Series A Preferred Shares to the public pursuant to a short form prospectus (the **Prospectus**) to be filed in each of the Jurisdictions as if the Series A Preferred Shares were designated credit support securities. The Prospectus will be prepared pursuant to the short form procedures contained in NI 44-101 and will comply with the requirements set out in Form 44-101F1 that would apply to a credit support issuer as provided by Items 12 and 13 of Form 44-101F1.

23. The Issuer may also, subject to market conditions, wish to issue other series of Preferred Shares that, but for the fact they would be convertible into other series of Preferred Shares of the Issuer, would satisfy the definition of "designated credit support securities" in NI 51-102.
24. It is not currently contemplated that the Issuer would issue any securities, such as debt securities, other than the Common Shares and the Preferred Shares.

Bell Aliant Amalco

25. Bell Aliant Amalco is the successor corporation resulting from the amalgamation of Bell Aliant Holdings GP, 7538332 Canada Inc. (the successor corporation to Bell Aliant Holdings LP) and Bell Aliant GP as part of the Conversion Transaction.
26. The registered and head office of Bell Aliant Amalco is located in Halifax, Nova Scotia.
27. Bell Aliant Amalco is a reporting issuer, or the equivalent, in at least one of the Jurisdictions.
28. BCE Inc. owns one common share of Bell Aliant Amalco and the remainder of the approximately 101 million common shares are held by Bell Aliant Inc.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Makers to make the decision.

Relief from the Disclosure Requirements

The decision of the Decision Makers under the Legislation is that relief from the Disclosure Requirements is granted upon the Issuer becoming a reporting issuer, provided that:

- (a) the Issuer continues to satisfy all the conditions set forth in subsection 13.4(2) of NI 51-102, other than paragraph 13.4(2)(c), with Bell Aliant Amalco as the "parent credit supporter" (as defined in NI 51-102);
- (b) the Issuer files on its SEDAR profile any continuous disclosure document filed on Bell Aliant Amalco's or Bell Aliant Inc.'s SEDAR profile pursuant to Parts 4,5,6,7,8 and 9 of NI 51-102;
- (c) Bell Aliant Inc. is a reporting issuer, or the equivalent, in at least one of the Jurisdictions; and
- (d) the Issuer does not issue any securities, and does not have any securities outstanding, other than:
 - (i) designated credit support securities (as such term is defined in NI 51-102);
 - (ii) securities issued to and held by Bell Aliant Amalco or an affiliate of Bell Aliant Amalco;
 - (iii) debt securities issued to and held by banks, loan corporations, loan and investment corporations, savings companies, trust corporations, treasury

branches, savings or credit unions, financial services cooperatives, insurance companies or other financial institutions;

- (iv) securities issued under exemptions from the prospectus requirement in Section 2.35 and registration requirement in Section 3.35 of National Instrument 45-106 – *Prospectus and Registration Exemptions*;
- (v) Series A Preferred Shares and Series B Preferred Shares; and
- (vi) other series of Preferred Shares that, but for the fact they are convertible to other series of Preferred Shares, are designated credit support securities (as such term is defined in NI 51-102).

Relief from the Insider Reporting Requirements

The further decision of the Decision Maker under the Legislation is that relief from the Insider Reporting Requirements is granted, provided that:

- (a) the Issuer continues to satisfy the conditions of the relief from the Disclosure Requirements above;
- (b) if the insider is not Bell Aliant Amalco or Bell Aliant Inc., (i) the insider does not receive, in the ordinary course, information as to material facts or material changes concerning the Issuer before the material facts or material changes are generally disclosed, and (ii) the insider is not an insider of Bell Aliant Amalco or Bell Aliant Inc. in any capacity other than by virtue of being insider of the Issuer; and
- (c) if the insider is Bell Aliant Amalco or Bell Aliant Inc., Bell Aliant Amalco or Bell Aliant Inc. do not beneficially own any Preferred Shares (including the Series A Preferred Shares and the Series B Preferred Shares).

Relief from the Short Form Prospectus Eligibility Requirements

The further decision of the Decision Makers under the Legislation is that relief from the Short Form Prospectus Eligibility Requirements in respect of the distribution of the Series A Preferred Shares, and other series of Preferred Shares, is granted, provided that:

- (a) at the time of filing of any prospectus in connection with an offering of Preferred Shares (including the Offering), the qualification criteria set out in Section 2.4 of NI 44-101 are satisfied, other than the qualification criteria set out in subsection 2.4(b)(i) and subsection 2.4(c)(i) of NI 44-101;
- (b) Bell Aliant Amalco provides full and unconditional credit support for the Preferred Shares being distributed;
- (c) (i) Bell Aliant Amalco satisfies all of the criteria in Section 2.2 of NI 44-101, other than subsection 2.2(e), or (ii) for so long as Bell Aliant Amalco has not yet been required to file annual financial statements following completion of the Conversion Transaction, Bell Aliant Amalco satisfies all of the criteria in Section 2.2 of NI 44-101, other than subsections 2.2(d) and 2.2(e);

- (d) Bell Aliant Amalco guarantees the medium term notes issued by Bell Aliant LP from time to time, which notes meet the criteria specified in subsection 2.4(c)(i) of NI 44-101;
- (e) for so long as it has not yet been required to file annual financial statements following completion of the Conversion Transaction, Bell Aliant Amalco satisfies all of the conditions set forth in subsection 2.7(2) of NI 44-101 with respect to successor issuers;
- (f) the Series A Preferred Shares and other series of Preferred Shares are not convertible into any securities other than another series of Preferred Shares; and
- (g) the Issuer satisfies the conditions of the relief from the Specified Form 44-101F1 Prospectus Disclosure Requirements set out below.

Relief from the Notice of Intention Requirement

The further decision of the Decision Makers under the Legislation is that relief from the Notice of Intention Requirement is granted provided that the Issuer files a notice declaring its intention pursuant to Section 2.8 of NI 44-101 prior to or concurrently with the filing of the preliminary short form prospectus and the Issuer satisfies the conditions of the relief from the Short Form Prospectus Eligibility Requirements set out above.

Relief from the Specified Form 44-101F1 Prospectus Disclosure Requirements

The further decision of the Decision Makers under the Legislation is that relief from the Specified Form 44-101F1 Prospectus Disclosure Requirements is granted provided that at the time of the filing of any prospectus in connection with an offering of Preferred Shares (including the Offering):

- (a) the prospectus will be prepared in accordance with the short form prospectus requirements of NI 44-101 other than the Specified Form 44-101F1 Prospectus Disclosure Requirements, except as permitted by the Legislation;
- (b) Bell Aliant Amalco provides full and unconditional credit support for the Preferred Shares being distributed;
- (c) Bell Aliant Amalco meets the requirements of subsection 2.4(b)(i) of NI 44-101 (as regards subsection 2.2(d) of NI 44-101) in reliance on the exemption provided in subsection 2.7(2) of NI 44-101;
- (d) the Issuer satisfies the conditions in Section 13.2 of Form 44-101F1, other than subsection 13.2(c);
- (e) the Issuer will comply with all of the filing requirements and procedures set out in NI 44-101 other than the Short Form Prospectus Eligibility Requirements and the Notice of Intention Requirement, except as permitted by the Legislation;
- (f) any prospectus in connection with an offering of Preferred Shares (including the Offering) filed by the Issuer will incorporate by reference or include:

- (1) (i) the most recent annual information form, annual and interim financial statements and consolidating summary financial information of Bell Aliant Amalco, or (ii) prior to the filing by Bell Aliant Amalco thereof, for so long as it has not yet been required to file annual financial statements following completion of the Conversion Transaction, the most recent annual and interim financial statements, annual information form and consolidating summary financial information of Bell Aliant Holdings LP;
- (2) the management information circular of the Fund dated May 7, 2010 prepared in connection with the annual and special meeting of unitholders of the Fund held on June 16, 2010 (until such time as Bell Aliant Inc. has filed an information circular prepared in connection with an annual meeting of its shareholders);
- (3) any other document of Bell Aliant Amalco that would be required to be incorporated by reference into a short form prospectus under Section 11.1 of Form 44-101F1 if Bell Aliant Amalco were the issuer under such prospectus;
- (4) (i) the most recent annual and interim financial statements, annual information form and consolidating summary financial information, if applicable, of Bell Aliant Inc. or (ii) prior to the filing by Bell Aliant Inc. thereof, for so long as it has not yet been required to file annual financial statements following completion of the Conversion Transaction, the most recent annual and interim financial statements and annual information form of the Fund; and
- (5) any other document of Bell Aliant Inc. that would be required to be incorporated by reference into a short form prospectus under Section 11.1 of Form 44-101F1;
- (g) the Issuer satisfies the conditions of the relief from the Short Form Prospectus Eligibility Requirements set out above;
- (h) the Issuer satisfies the conditions of the relief from the Notice of Intention Requirement set out above; and
- (i) in respect of an offering other than the Offering, the Issuer satisfies the conditions of the relief from the Disclosure Requirements set out above.

Request for Confidentiality

The further decision of the Decision Makers under the Legislation is that the Request for Confidentiality is granted until the earlier of: (i) the date on which the Filers issue and file a joint news release announcing the Offering; (ii) the date on which the Issuer files a preliminary short form prospectus in connection with the Offering in reliance on the relief granted in respect of the Short Form Prospectus Eligibility Requirements and the Notice of Intention Requirement; (iii) the date that the Filers advise the Decision Makers that there is no longer any need for the Confidential Material to remain confidential; and (iv) the date that is 90 days after the date of this decision.



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Nova Scotia Securities Commission
