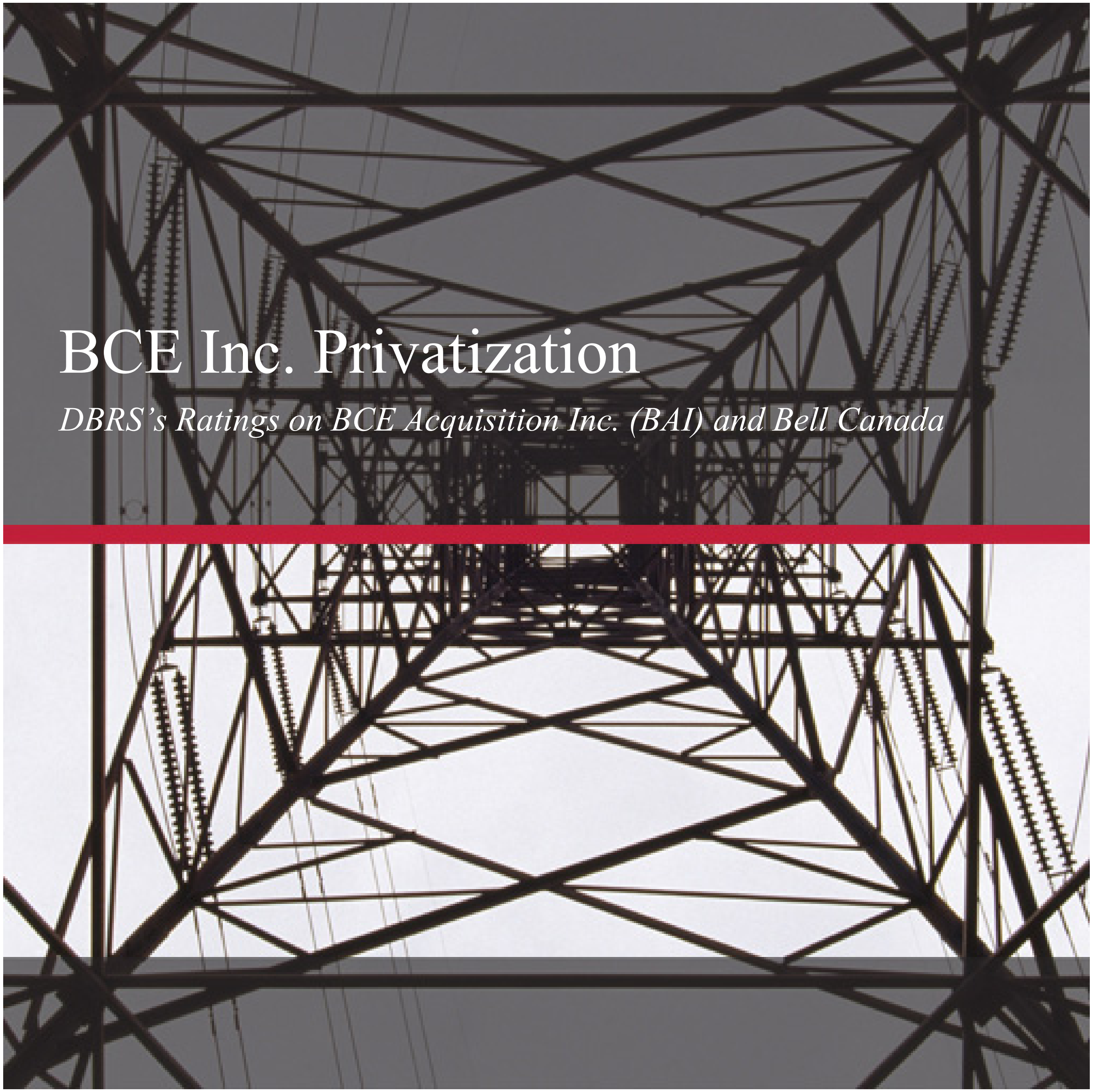
BCE Inc. Privatization

DBRS's Ratings on BCE Acquisition Inc. (BAI) and Bell Canada



Insight beyond the rating.

Presented by:

Paul Holman

Chris Diceman, CFA

Jamie Wetmore

Andrew Fitzpatrick

Steven Bavaria

OCTOBER 9, 2008

DBRS's Ratings on BAI/Bell Canada

- Outline of Presentation – Paul Holman:
  - An Overview of Telecom/Cable/Media; Why BCE now?
  - DBRS's Leveraged Finance Initiatives
  - A Review of BCE's Privatization
  - Summary of Financing
  - Summary of New Structure
  - BAI/Bell Canada Issuer Ratings
  - BAI and Bell Canada Recovery and Instrument Ratings
  - Concluding Remarks
  - Questions and Answers
  - Appendix A
    - A Review of Major Milestones
    - DBRS's Rating Actions: Closely Followed Milestones

DBRS's Ratings on BAI/Bell Canada

- An Overview – Paul Holman:
  - DBRS's view of Industry Ratings
    - Telecom – "A" range
    - Wireless – BBB (high) to A (low) range
    - Cable – mid BBB range
    - Publishing & Media – mid BBB range
  - Evolution of telcos: The New Equilibrium
  - DBRS's Philosophy on Finalizing Ratings on Events
    - Overview of DBRS's philosophy
    - Why we moved on BAI/Bell Canada prior to closing

DBRS's Ratings on BAI/Bell Canada

- DBRS's Leveraged Finance Initiatives – Steven Bavaria:
  - DBRS's Leveraged Finance ratings capture both key elements of credit
    - Probability of default in timely payment ("Issuer Rating")
    - Likely recovery in the event of default ("Recovery Rating")
    - Blends both together in an "Instrument Rating" – which may be "notched" up or down – or not at all – from the Issuer Rating
  - Critical to leveraged finance investors, to whom deal-specific analysis (structure, covenants, post-default protection) is equally important as likelihood of default

DBRS's Ratings on BAI/Bell Canada

DBRS Recovery Rating and Notching of Instrument Rating

Recovery Rating	Anticipated Recovery (%)	Recovery Description	Notching: Instrument Rating vs. Issuer Rating
1	90-100	Outstanding	3 notches
2	70-90	Substantial	2 notches
3	50-70	Good	1 notch
4	30-50	Average	0 notch
5	10-30	Below Average	-1 notch
6	0-10	Poor	-2 notches

DBRS's Ratings on BAI/Bell Canada

- A Review of BCE's Privatization – Chris Diceman:
  - Rampant market rumours H1 2007
  - Agreed to privatization June 30, 2007 $42.75 per share:
    - ~$35 billion equity value, ~$52 billion enterprise value
  - Equity sponsors include:
    - Teachers Private Capital (investment arm of OTPPB)
    - Providence Equity Partners Inc.
    - Madison Dearborn Partners, LLC
    - Merrill Lynch Global Private Equity, Inc.
    - Other equity investors: TD Bank and Other
  - Banks include: Citigroup, Deutsche Bank, RBS, TD Bank
  - Expected close: on or before December 11, 2008
  - Major Milestones and DBRS's Actions - see Appendix A

DBRS's Ratings on BAI/Bell Canada

- Summary of Financing:
  - $35 billion of current equity to be funded 22% with new equity & 78% with new debt
  - Equity of ~$7.75 billion
  - New BAI debt ~$32 billion
    - $21.0 billion secured bank debt;
    - $11.3 billion unsecured notes
  - Redemption of BCE/Bell debt and BCE preferred shares upon close:
    - $1.95 billion of BCE/Bell debt;
    - $2.78 billion BCE preferred shares
  - Remaining Bell Canada debt ~$6.5 billion

DBRS's Ratings on BAI/Bell Canada

Sources:		**Uses:**	
Equity Commitment	7,750.0	Purchase of Equity	(34,662.0)
Cash on Hand	826.0	Redemption of BCE Pref. Shares	(2,770.0)
New BAI Debt	32,350.0	Redemption of BCE/Bell Debt	(1,950.0)
A/R Securitization	-	Reduction of A/R Securitization	(1,044.0)
		Cash Balance/Other	(1,800.0)
Existing Bell Canada Debt	6,571.0	Existing Bell Canada Debt	(5,271.0)
Capital Leases	1,215.0	Capital Leases	(1,215.0)
Total Sources	**48,712.0**	**Total Uses**	**(48,712.0)**

DBRS's Ratings on BAI/Bell Canada

- Summary of Financing:
  - New equity of ~$7.75 billion; allocation as follows:

Equity Commitment:		Amount	% of total
Teachers Private Capital	PI - Cdn.	4,000.0	51.6%
Providence Equity Partners Inc.	PI	1,658.5	21.4%
Madison Dearborn Partners, LLC	PI	700.0	9.0%
Merrill Lynch Global Private Equity	PI	475.0	6.1%
Toronto Dominion Bank	AEI - Cdn.	450.0	5.8%
Other	AEI	416.5	5.4%
Other	AEI - Cdn.	50.0	0.6%
Total Equity Commitment		**7,750.0**	**100.0%**

DBRS's Ratings on BAI/Bell Canada

- Summary of New Structure:

BCE Acquisition Inc.

BCE Acquisition Inc. (BAI)	June 30/08	Pro Forma
Total BAI Secured Debt	**--**	**$21,050M**
Total BAI Unsecured Notes	**$0M**	**$11,300M**
Total BAI/BCE Inc. Debt (Unconsolidated)	**$650M**	**$32,350M**
Consolidated Debt (BAI/BCE & Bell)	**$8,436M**	**$38,909M**

100%

BCE Inc.

BCE Inc.	June 30/08	Pro Forma
Total Unsecured Notes	$650M	$0M

100%

Bell Canada

Consolidated (ex. Bell Aliant)	June 30/08	Pro Forma
Bell Canada Senior Debentures (to be secured)	$6,194M	$4,894M
Bell Canada Subordinated Debentures	$275M	$275M
Other debt (capital leases, etc.)	$1,315M	$1,390M
Total Bell Canada Debt (cons. ex Bell Aliant)	**$7,786M**	**$6,559M**

48.15%

100% **51.85%**

Bell Mobility

Bell ExpressVu

DBRS's Ratings on BAI/Bell Canada

DBRS

- Summary of New Structure – Andrew Fitzpatrick:
  - Structure created with intention to maintain covenants under Bell's indentures (1976 indenture)
  - Bell Canada senior debentures $4.9 billion, will gain security against Bell Canada's wireline assets
    - Pari Passu/Permitted Lien provision - 1976 indenture;
    - Negative pledge/Permitted Lien provision – 1997 indenture

Bell Canada

Consolidated (ex. Bell Aliant)	June 30/08	Pro Forma
Bell Canada Senior Debentures (to be secured)	$6,194M	$4,894M
Bell Canada Subordinated Debentures	$275M	$275M
Other debt (capital leases, etc.)	$1,315M	$1,390M
Total Bell Canada Debt (cons. ex Bell Aliant)	**$7,786M**	**$6,559M**

DBRS's Ratings on BAI/Bell Canada

- Summary of New Structure – Andrew Fitzpatrick:
  - BAI's ~$32 billion of debt to include:
    - $21.0 billion of secured bank debt; and
    - $11.3 billion of senior/subordinate unsecured notes
  - BAI's debt: guarantees from Bell Canada (senior and subordinate), Bell Mobility, Bell ExpressVu, BCE
  - BAI's $21 billion secured debt to be secured by:
    - Bell Mobility, Bell ExpressVu and Bell Canada

BCE Acquisition Inc.

BCE Acquisition Inc. (BAI)	June 30/08	Pro Forma
Total BAI Secured Debt	**--**	**$21,050M**
Total BAI Unsecured Notes	**$0M**	**$11,300M**
Total BAI/BCE Inc. Debt (Unconsolidated)	**$650M**	**$32,350M**
Consolidated Debt (BAI/BCE & Bell)	**$8,436M**	**$38,909M**

DBRS's Ratings on BAI/Bell Canada

- BAI/Bell Canada Issuer Ratings – Chris Diceman:
  - Consolidated BAI/Bell Canada:
    - Two Issuer Ratings of BB (low) at BAI and Bell Canada; reflect same probability of default
    - Tied together with guarantees and security;
    - Cross default, cross acceleration;
    - Management commonality
  - Business risk unchanged;
  - Financial risk increased significantly

DBRS's Ratings on BAI/Bell Canada

- BAI/Bell Canada Issuer Ratings:
  - Business Risk Profile of BAI/Bell:
    - Unchanged with privatization
    - Strong wireline, wireless and video businesses
    - Healthy cash flow from operations generator:
      - ~40% EBITDA margins;
      - Capex intensity ~mid-teens as % of revenue
    - Management to seek operating synergies, improve competitiveness, change the culture, etc.
  - Financial Risk Profile:
    - Increased from 2.0 times gross debt to EBITDA to 6.5 times
    - To remain free cash flow positive: elimination of dividends, cash tax savings to help offset higher interest expense
    - Maturity schedule reasonable; sufficient liquidity

DBRS's Ratings on BAI/Bell Canada

- BAI/Bell Canada Issuer Ratings – Jamie Wetmore:
  - BAI/Bell Canada Issuer Ratings at BB (low) fit well versus other Leveraged Finance credits including:
    - BB (low): ALLTEL; Cablevision; Rainbow Media
    - B (high): Mediacom
    - B: Clear Channel
    - B (low): Nortel, Level 3, Tribune
  - Also DBRS confirmed our ratings on Bell Aliant at: R-1 (low), BBB (high) and STA-2 (high)
    - BCE's privatization does not directly impact Bell Aliant
    - Nothing precluding BCE's new owners from future initiatives

DBRS's Ratings on BAI/Bell Canada

- BAI/Bell Canada Recovery and Instrument Ratings – Chris Diceman:
  - Ratings assigned reflect two key elements of credit:
    - Risk of Default;
    - Expected Recovery
  - Default Scenario:
    - Modeled a three-year period which simulates a situation of a potential default
  - Recovery Analysis:
    - Valued three components of BAI upon default with conservative EBITDA multiples;
    - Aggregate Enterprise Value ranges 47%, 33% and 19% below value of privatization (worst, base, best cases)

DBRS's Ratings on BAI/Bell Canada

- BAI/Bell Canada Recovery and Instrument Ratings:
  - Bell Canada Secured Debt ($4.9 billion): RR1/BBB (low)
    - Outstanding recovery prospects: (90%-100%)
    - RR1 + BB (low) Bell IR = BBB (low) Instrument Rating
    - Rating is three notches above Bell Canada's Issuer Rating

DBRS Recovery Rating and Notching of Instrument Rating

Recovery Rating	Anticipated Recovery (%)	Recovery Description	Notching: Instrument Rating vs. Issuer Rating
1	90-100	Outstanding	3 notches
2	70-90	Substantial	2 notches
3	50-70	Good	1 notch
4	30-50	Average	0 notch
5	10-30	Below Average	-1 notch
6	0-10	Poor	-2 notches

DBRS's Ratings on BAI/Bell Canada

- BAI/Bell Canada Recovery and Instrument Ratings:
  - BAI Secured Credit Facility ($23 billion): RR1/BBB (low)
    - Outstanding recovery prospects: (90%-100%)
    - RR1 + BB (low) BAI IR = BBB (low) Instrument Rating
    - Rating is three notches above BAI's Issuer Rating
  - BAI Senior Unsecured Notes ($7.5 billion): RR3/BB
    - Good recovery prospects: (50%-70%)
    - RR3 + BB (low) BAI IR = BB Instrument Rating
    - Rating is one notch above BAI's Issuer Rating

DBRS's Ratings on BAI/Bell Canada

- BAI/Bell Canada Recovery and Instrument Ratings:
  - BAI Subordinated Unsecured Notes ($3.8 billion): RR6/B
    - Poor recovery prospects: (0%-10%)
    - RR6 + BB (low) BAI IR = B Instrument Rating
    - Rating is two notches below BAI's Issuer Rating
  - Bell Canada Subordinated Debt ($275 million): RR6/B
    - Poor recovery prospects: (0%-10%)
    - RR6 + BB (low) Bell Canada IR = B Instrument Rating
    - Rating is two notches below Bell Canada's Issuer Rating
    - Debt ranked beneath BAI subordinated notes

DBRS's Ratings on BAI/Bell Canada

- Concluding Remarks – Paul Holman & Steve Bavaria:
  - Outlook for BAI/Bell Canada going forward
  - How BAI/Bell Canada fits with other Communications & Media Leveraged Finance credits

  - DBRS's Leveraged Finance Methodology going forward
    - The current flight from risk in the leveraged markets
      - Indiscriminate widening across the board
      - "Throw the baby out with the bath water"
      - Mirror image of the pre-crash environment, when any credit flew off the shelves
    - Will cause a return to greater differentiation between credits
      - Greater focus on individual credit risk
      - More focus on credit ratings and analytical write-ups

DBRS's Ratings on BAI/Bell Canada

- Questions and Answers:
  - Paul Holman
    - Managing Director – Communications & Media
  - Chris Diceman, CFA
    - Senior Vice President – Communications & Media
  - Jamie Wetmore
    - Assistant Vice President – Communications & Media
  - Andrew Fitzpatrick
    - Vice President – Canadian Structured Finance
  - Steven Bavaria
    - Managing Director – Leveraged Finance

DBRS's Ratings on BAI/Bell Canada

- For More information:
  - Visit: www.dbrs.com
  - Email us at: info@dbrs.com

DBRS's Ratings on BAI/Bell Canada

- Appendix A:
  - A Review of Major Milestones
  - DBRS's Rating Actions

DBRS's Ratings on BAI/Bell Canada

- A Review of the Major Milestones:
  - January–April 2007: Rampant Market Rumours
  - April 9, 2007: OTPPB Files 13D: BCE stake changed from a passive holding to an active holding
  - April 17, 2007: BCE Reviewing Strategic Alternatives
  - June 30, 2007: Acquisition Agreement Reached - $42.75
  - Sept. 21, 2007: BCE Shareholder Vote
  - Sept. 21, 2007 – June 23, 2008: All Canadian and U.S. regulatory approvals achieved
  - June 20, 2008: Supreme Court Reinstates Approval Order
  - July 4, 2008: Purchase, Financing Agreements Finalized
  - On or before Dec. 11, 2008: Close of privatization

DBRS's Ratings on BAI/Bell Canada

- DBRS's Rating Actions: Closely Followed Milestones:
  - April 12, 2007: Commented on Market Speculation
  - April 17, 2007: BCE/Bell Placed UR, Negative
  - June 21, 2007: Hosted Teleconference on BCE/TELUS
  - July 3, 2007: Maintained BCE/Bell UR, Negative
  - July 6, 2007: Commented on impact on Bell Aliant
  - Sept. 25, 2007: Hosted Teleconference
  - Nov. 27, 2007: Maintained BCE/Bell UR, Negative
  - June 20, 2008: Notes BCE/Bell Remain UR, Negative
  - Oct. 7, 2008: New Ratings Assigned, Existing Ratings Downgraded
  - On or before Dec. 11, 2008: Discontinue BCE debt and preferred ratings upon redemption