

## ADDENDUM 2 TO STRATEGIC PARTNERSHIP AGREEMENT

THIS ADDENDUM is entered into as of FEBRUARY 1, 2013.

**BETWEEN:**

**THE GOVERNMENT OF PRINCE EDWARD ISLAND,  
as represented by the Minister of Innovation and  
Advanced Learning,**

(the "Province")

**AND:**

**BELL ALIANT REGIONAL COMMUNICATIONS L.P.,  
an entity with operations in the Province of Prince  
Edward Island**

("Bell Aliant")

**WHEREAS** the Parties entered into a Strategic Partnership Agreement, effective December 1, 2008, regarding the implementation of certain broadband services in Prince Edward Island, and other related matters (the "Agreement");

**AND WHEREAS** the Parties amended the Agreement, effective July, 2010 ("Addendum 1"), in order to expand the Agreement to include the installation of a fibre optic network in Prince Edward Island, and to effect other related amendments;

**AND WHEREAS** the Parties wish to further amend the Agreement with this Addendum ("Addendum 2") in order to expand the DSL network and the fibre optic network, and to effect other related amendments;

**NOW THIS AGREEMENT WITNESSES THAT** in consideration of the mutual covenants contained in this Agreement, along with other good and valuable consideration, the parties agree as follows:

**1.0** Section 2.1 of the Agreement is removed and replaced with the following:

**"2.1 Effective Date**

This executed Agreement shall become effective as of the Effective Date, and unless otherwise terminated in accordance with the terms of this Agreement, and subject to Clause 2.2, shall remain in effect until December 31<sup>st</sup>, 2019 (the "Term"). Each Schedule may have a term that is different than the Term, if explicitly referenced. If no reference to a separate term exists, the Schedule shall be deemed to be co-terminous with the Agreement. This Agreement, and each applicable Schedule, may be renewed, upon the parties reaching written agreement no less than 30 days before the expiry of the Term, for such period of time as the parties agree, up to a maximum period equal to the length of the Term (the "Renewal Term")."

**2.0** Schedule A of the Agreement is amended by adding the following:

**"1.1 THE PROJECT PHASE 2**

**a. Project Description**

Bell Aliant shall expand its DSL network which will extend its DSL services to a total of six hundred (600) additional homes and businesses by the end of the installation. The installation shall take place over the 2012 calendar year, with the completion scheduled before December 31, 2012. The obligation for the costs of the expansion shall be Bell Aliant's in its entirety.

**b. Ownership of Infrastructure**

(i) Bell Aliant shall own and have custody of goods purchased for the DSL network and shall own each and every portion of the infrastructure, the DSL network, the Broadband technology

and all other aspects of the Project relating to the construction of the DSL Network and the provision of Broadband services in the Territory.

(ii) As an incidence of ownership, upon the completion of the Project, and subject to applicable laws, Bell Aliant shall have the sole and exclusive authority to determine the manner in and the extent to which Broadband services that are provided by Bell Aliant directly, are provided and shall assume the responsibility and associated costs for the ongoing operation and maintenance of the DSL network.

(iii) Subject to applicable laws, the Province shall not have any authority over the manner in which Broadband services are provided in the Territory, and the Province acknowledges and agrees that Bell Aliant shall own each and every portion of the infrastructure, the DSL Network, the Broadband technology and all other aspects of the Project.

(iv) The Province acknowledges that, consistent with Section (b)(i) above, there shall be no restrictions or conditions placed on Bell Aliant's ability to sell or transfer the infrastructure in the DSL Network, or the Broadband services, arising from this Agreement, and Bell Aliant shall have no restriction on downgrading the Broadband services beyond the Term of the Agreement.

(v) The Province shall not be entitled to share in any revenues generated by the DSL Network, the provision of Broadband services, the infrastructure, the Broadband technology and any asset owned by Bell Aliant, whether developed as part of the Project.

(vi) For greater certainty, the parties agree and confirm that nothing in this Agreement creates any interest for Bell Aliant in, or affects the ownership by the Province of, the PEI Fibers, and that this Agreement does not apply to the PEI Fibers, "PEI Fibers" being as so defined in the Network Access Agreement between the parties, which is part of the Assignment and Assumption Agreement between the parties dated May 15, 2009, as amended.

**3.0** Schedule A of the Agreement is amended by adding the following:

**3.1. THE FIBREOP PROJECT PHASE 2**

**a. FibreOP Project Description Phase 2**

Bell Aliant shall expand its fibre optic network in the communities of Souris, Montague, Georgetown, Kensington, Miscouche, Alberton and O'Leary, Prince Edward Island, which will extend its FibreOP services to a total of five thousand (5,000) additional homes and businesses by the end of the installation. The installation shall take place over the 2013 and 2014 calendar years, with the completion scheduled before December 31, 2014. The obligation for the costs of the expansion shall be Bell Aliant's in its entirety. The parties acknowledge that Bell Aliant's network expansion is dependent on Bell Aliant's gaining reasonable access to excess capacity on fibre which is IRU'd to the Province, or on finding other, commercially reasonable technical solutions to provide the expansion. In the event Bell Aliant is unable to secure either in order to support its network expansion, the parties agree to meet to revise Bell Aliant's and the Province's obligations hereunder.

**b. FibreOP Project Build**

- (i) Bell Aliant estimates the costs to complete the fibre optic network expansion to be approximately three million, five hundred thousand dollars (\$3,500,000). This figure is provided as an estimate only, and there is no commitment on Bell Aliant to spend this amount, if cost reductions are able to be realized in the installation of the fibre optic network expansion.
- (ii) Bell Aliant agrees to spend approximately five percent (5%) of the costs it incurs in relation to the network expansion on equipment and services acquired from companies based in Prince Edward Island in relation to the installation of the fibre optic network.

**c. Ownership of Infrastructure**

- (i) Subject to applicable laws, Bell Aliant shall own and have custody of goods purchased for the fibre optic network and shall own each and every portion of the infrastructure, the fibre optic network and all other aspects of the installation of the network.
- (ii) As an incidence of ownership, upon the completion of the fibre optic network, and subject to applicable laws, Bell Aliant shall have the sole and exclusive authority to determine the manner in and the extent to which services that are provided by Bell Aliant directly, are provided and shall assume the responsibility and associated costs for the ongoing operation and maintenance of the fibre optic network.
- (iii) Subject to applicable laws, the Province shall not have any authority over the manner in which services are provided over the fibre optic network, and the Province acknowledges and agrees that Bell Aliant shall own each and every portion of the infrastructure, the fibre optic network and all other aspects of the installation of the network.
- (iv) The Province acknowledges that, consistent with Section (c)(i) above, there shall be no restrictions or conditions placed on Bell Aliant's ability to sell or transfer the infrastructure in the fibre optic Network, or the services, arising from this Agreement.
  - (v) The Province shall not be entitled to share in any revenues generated by the fibre optic network, the provision of services, the infrastructure and any asset owned by Bell Aliant, whether developed as part of the Project .
- vi) For greater certainty, the parties agree and confirm that nothing in this Agreement creates any interest for Bell Aliant in, or affects the ownership by the Province of, the PEI Fibers, and that this Agreement does not apply to the PEI Fibers, "PEI Fibers" being as so defined in the Network Access Agreement between the parties, which is part of the Assignment and Assumption Agreement between the parties dated May 15, 2009, as amended.

**4.0** Section 1 of Schedule B of the Agreement is hereby removed and replaced with the following:

**1. LOCAL ACCESS**

In consideration for Bell Aliant's undertaking the Project, the Province hereby agrees to procure all of its Local Access services, in the form of Bell Aliant's Centrex Services (the "Services"), from Bell Aliant, in accordance to the terms of the applicable tariff and any existing or future agreements between the parties for the services, for the full duration of the Term. The Province shall not procure Local Access services from any other supplier during the Term of the Agreement, .

**5.0** Section 2 of Schedule B of the Agreement is hereby removed and replaced with the following:

**"2. TERM & TERMINATION**

The term of this Schedule shall be from the Effective Date until December 31, 2019 (the "Term").

Should the Province terminate this Schedule or the Agreement, or not purchase the Services from Bell Aliant, at a minimum commitment equal to the number of lines in use by the Province as of the Effective Date, for the full duration of the Term, the Province shall be responsible to pay to Bell Aliant, as liquidated damages and not as a penalty, an amount equal to the difference between the amount Bell Aliant would have received had the Province procured the Services at the minimum commitment referenced above, for the full Term, and the amount Bell Aliant ultimately receives. The Province agrees that this clause is reasonable, given the consideration provided by Bell Aliant for, and reliance of Bell Aliant on, this commitment from the Province."

**6.0** Section 4 of Schedule B of the Agreement is hereby removed and replaced with the following:

**"4. PRICING PRINCIPLES**

The pricing of the legacy Local Access services, identified as Bell Aliant's Business Centrex Services include the delivery of Bell Aliant's Business Centrex Service to the Province for the Term.

The assumption is that all Centrex lines functionality will remain in place as they are today serving the Province, with a potential migration to a Voice over IP solution, as the Province desires. In the event of such migration, Bell Aliant shall provide a revised pricing table to the Province for the Voice over IP solution.

Savings will be provided to the Province in the form of a percentage discount off the Province's annual Local Access services spend calculated using the rates being charged to the Province in 2008 as a baseline. The Province's annual spend will be reduced by 5% from the baseline for years one and two, 16% from the baseline in years three, 26% from the baseline for year four and 37% from the baseline for years five, six, seven, eight, nine, ten and eleven. These discounts will be achieved through a combination of reductions to the Centrex Business Service line rate, line features and long distance. Costs for service charges and labour resulting from moves, adds and changes will not be discounted.

**Table 1: Previous Pricing Schedule**

Year	Discount	Savings (\$)¹
2009	5%	\$140,000
2010	5%	\$140,000
2011	16%	\$448,000
2012	26%	\$728,000
2013	37%	\$1,036,000
2014	37%	\$1,036,000
2015	37%	\$1,036,000
2016	37%	\$1,036,000

1. Savings from 2008 Baseline of \$2,800,000 Annual Spend

Notwithstanding the discount structure set out above, the Province and Bell Aliant agree to modify the discount structure for the Province's government accounts in order for the Province to fund Bell Aliant's FibreOp and DSL Expansion on Prince Edward Island. As such, the modified discount structure shall be as follows:

The Province's annual spend will be reduced by 5% from the baseline for years one and two, 16% from the baseline in years three and four, 26% from the baseline for years five, six, seven and eight and 39% from the baseline for years nine, ten and eleven. A credit of \$72,000 shall be applied in year 5 of the pricing schedule to reduce the Province's total spend in 2013. These discounts will be achieved through a combination of reductions to the Centrex Business Service line rate, line features and long distance. Costs for service charges and labour resulting from moves, adds and changes will not be discounted.

**Table 2: New Pricing Schedule**

Year	Discount	Savings (\$)¹
2009	5%	\$140,000
2010	5%	\$140,000

2011	16%	\$448,000
2012	16%	\$448,000
2013	26%	\$800,000 <sup>2</sup>
2014	26%	\$728,000
2015	26%	\$728,000
2016	26%	\$728,000
2017	39%	\$1,092,000
2018	39%	\$1,092,000
2019	39%	\$1,092,000

1 Savings from 2008 Baseline of \$2,800,000 Annual Spend

2. Additional credit of \$72,000 to be applied in 2013

Table 3: Example – 2013 vs 2012 Pricing Schedule

Service	2013	2012	# Units	Savings (\$)
Centrex	\$22.60	\$23.10	6,944	\$41,664
Voicemail	\$5.00	\$7.80	3,157	\$106,075
Long Distance	\$0.025	\$0.045	4,800,000	\$96,000
Multiline	\$30.00	\$47.55	175	\$36,855
Total Savings				~\$280,000 <sup>1</sup>

1. Credit of \$72,000 will be applied in 2013. Total savings of \$352,000

The Province directs Bell Aliant to use the incremental payments made under the terms of the revised discount structure set out above to invest in FibreOP and DSL Expansion throughout Prince Edward Island. The contribution will be used to offset costs incurred by Bell Aliant to procure hardware, software, third party professional services and internal labor associated with the installation of FibreOP and DSL Expansion equipment and required network facilities. In this Agreement, FibreOP and DSL Expansion is defined as "a construction of the networks as described in Schedule A, to provide high-speed internet or FibreOP services to the residents and businesses of these areas". The services will be provided in accordance with any applicable tariffs, and at Bell Aliant's list market prices.

**7.0** Appendix A of Schedule B of the Agreement is hereby removed and replaced with Appendix A attached to this Addendum 2.

**8.0** Section 3 of Schedule C of the Agreement is hereby removed and replaced with the following:

### **3. THE GUIDELINES**

Between 2009 and 2019 Bell Aliant and the Province will each commit five hundred thousand dollars to the Innovation Fund. The Innovation fund may distribute one or more grants per year.

Each grant shall be recognized as a joint grant from the Province and Bell Aliant, and the parties agree to develop a media and communications plan around the grants, to provide awareness to each party of their support and role in relation to the Innovation Fund and the grants.

Each grant applicant will be required, in the application, to provide a detailed description of their business plan in relation to their IT innovation and the benefit to the communications industry

arising from such innovation, as well as describing the use of the grant. Grants will be awarded to projects that have superior management credentials, a demonstrated track record of the applicant, financial feasibility, an innovative research and development program and priority will be placed on projects that promote rural economic development.


Each successful applicant will be required to agree to participate in promotion of the grant, at the request of the Innovation Fund Committee, and shall be required to provide periodic updates, in the form of reports, to the Innovation Fund Committee, outlining the progress with their innovation.

9.0 All terms of the Agreement and Addendum 1 shall continue to apply and remain unchanged, except as expressly amended in this Addendum 2.

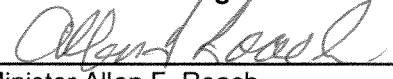
10.0 This Addendum 2 shall be effective as of FEBRUARY 1, 2013.

**IN WITNESS WHEREOF** the parties have executed this Addendum 2 as evidenced by their duly authorized officers in that behalf as of the date first above written.

**BELL ALIANT REGIONAL  
COMMUNICATIONS L.P., by its  
general partner, BELL ALIANT  
REGIONAL COMMUNICATIONS INC.**

  
\_\_\_\_\_  
V.P. PEI Bell Aliant

**THE GOVERNMENT OF PRINCE EDWARD ISLAND,  
As represented by the Minister of Innovation and  
Advanced Learning**

  
\_\_\_\_\_  
Minister Allen F. Roach

**APPENDIX A – CENTREX BUSINESS (PEI) SERVICES SCHEDULE (BLENDED RATES)**

Customer Name: The Government of Prince Edward Island (the "Customer")

The services described in this Centrex Business (PEI) Services Schedule (Blended Rates) (the "Services Schedule") are provided in accordance with and governed by the Master Services Agreement between the Customer and Bell Aliant Regional Communications, Limited Partnership ("Bell Aliant"). Bell Aliant and the Customer agree that this Services Schedule is attached to and forms part of the Master Services Agreement and is governed by its terms and conditions, with effect from the date of execution of this Services Schedule by the Customer. Capitalized terms used but not defined in this Services Schedule have the meanings given to them in the Master Services Agreement. For the purposes of this Services Schedule, references to the "Agreement" shall include both the Master Services Agreement and the Services Schedule.

1. **TARIFFED/REGULATED SERVICES**

- a. For Tariffed Services that become Forborne Services during the Initial Service Term, the Services shall be provided in accordance with the terms of the Master Services Agreement and Services Schedule, and the rates charged for such Services shall be those set out in the applicable Tariffs on the day before the CRTC granted forbearance for the applicable Services.

2. **TERM**

- a. **Initial Service Term:** The Initial Service Term is for a period of 60 months, effective the 15 day of November, 2012 (the "Initial Service Term").
- b. **Service Renewal Term:** Bell Aliant will notify Customer of contract renewal within sixty (60) days prior to the expiration of the Initial Service Term. Upon obtaining Customer's consent to renew, this Services Schedule shall be renewed for a term equal in length to the Initial Service Term (a "Renewal Term") on the same terms. In the event sixty (60) days prior written notice of expiry of the Initial Service Term, or then current Renewal Term, is not received by Customer, the Service Schedule shall automatically renew for consecutive renewal terms each equal to thirty (30) days and may be terminated on thirty (30) days notice by either party. The Fees charged for the Services during each of the 30 day renewal terms shall be the month-to-month fees then in effect by Bell Aliant for the Services.
- c. **Extension Term:** Upon the expiration of the Initial Service Term, and unless either party has provided 30 days advance notice of their intent not to extend this Services Schedule, there shall be an extension term of 24 months, (the "Extension Term"). Bell Aliant agrees that the rates provided to the Customer during the Extension Term shall be those detailed in Section 4(a)(i)(ii) in accordance with the conditions set out in Sections 4(e)(f) of this Services Schedule.
- d. **Use of Service beyond Service Term:** If a party has sent a notice of non-renewal but the Customer for any reason continues to use the Services after the expiry of the Initial Service Term or final Service Renewal Term, the terms and conditions of the Agreement including this Services Schedule shall continue to apply for so long as the Customer uses the Services, except that the Fees shall be the month-to-month fees for the Services in effect.

3. **SERVICE**

a. **Description of Service:**

- i. The Services provide a combination of exchange service and intercommunicating service. Connections between access lines of the system and trunk lines are made by switching equipment located on Bell Aliant premises.
- (1) The Services provide a multi-system, multi-location service which provides for a common set of basic features on a provincial basis where appropriate equipment and facilities are available. The Services are available to customers within Prince Edward Island, subject to the availability of suitable facilities.
- ii. **The monthly rate for access lines of the Services provides for the following:** access to basic features; common equipment and switching equipment as required; circuitry to connect the Customer location to the wire centre serving the area in which the terminal equipment is located. Customers may provide and install the inside wire and jacks for the Services at their expense. However, no adjustment will be made to the monthly rate per voice access where the Customer has provided and installed the Services inside wire and jacks; trunk lines, as required, for incoming and outgoing calls to and from access lines in the Customer's system; detailed service billing by individual telephone number; intercept which provides for calls to a vacant terminal to be routed to a recorded announcement.

4. **FEES**

a. **Fees Schedule:**

- i. **Regulated Services:** Regulated Services shall be provided in accordance with the applicable Tariffs.
- ii. **Forborne Services:** For Forborne Services as of the execution date of this Services Schedule, the monthly Fees shall be:
- (1) **Fees:** rates will be averages in both the Regulated and Forborne Exchanges in PEI to provide an overall monthly rate of \$23.10 per access line.

- (2) **Fees When Terminating on Multi-line Equipment:** For access lines that the Customer and Bell Aliant have executed a Multi-line Services Agreement the rates per access line will be specified in that agreement. Otherwise, the rate per access line is **\$61.25**.
    - (3) If applicable, any additional service charges related to the provisioning of the Services shall be charged at Bell Aliant's then prevailing rates.
  - b. Access lines may be added during the Initial Service Term at the same rates as set out in Section 4(a) and for a period co-terminating with the Initial Service Term.
  - c. Access lines may be relocated to other (existing or new) locations within Prince Edward Island without payment of termination charges providing the relocated access lines remain part of the existing Services.
  - d. Prices listed in this Services Schedule are exclusive of Sales and Use Tax.
  - e. **Minimum Commitment:**
    - i. The Fees in Section 4(a) are based on the Customer maintaining a minimum monthly commitment of **2,501** access lines. If, due to removal of access lines, the total number of access lines in the Customer's system decreases to below the minimum commitment, the Customer shall continue to pay for the minimum number of access lines.
    - ii. If the Customer terminates the Services during the Initial Service Term prior to the scheduled expiry date, the Customer will be required to pay the total of the monthly rates per access line, as shown in Section 4(a), for each month of the unexpired portion of the Initial Service Term. These termination charges will be applied to the minimum monthly commitment of access lines.
    - iii. Centrex IP access ports count towards the total access lines for the purpose of determining the minimum monthly commitment.
  - f. **Combined Forborne Access Line Commitment:**
    - i. The Customer agrees to maintain no less than 80% of the total minimum monthly commitment access lines in PEI in the Forborne exchanges.
    - ii. Should the Customer fail to meet the requirements of sections 4(f)(i) the average rate may need to be adjusted by Bell Aliant to ensure continued compliance with the applicable Tariffs.
5. The Parties agree that by signing the Addendum 2 to the Strategic Partnership Agreement, which includes this Service Schedule as an attachment, that each Bell Aliant and the Customer agree that this Services Schedule is attached to and forms part of the Master Services Agreement (CN-1003-13809) between them.