



ALIANTELECOM INC.

2005 ANNUAL INFORMATION FORM

March 29, 2006

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CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Throughout this Annual Information Form (AIF), “we”, “us”, “our”, the “Corporation”, the “Company” and “Aliant Telecom” refer to Aliant Telecom Inc.

This document contains forward-looking statements related to our future objectives, plans, strategies, financial condition and results of operations. A statement we make is forward looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements are based on our current expectations, estimates and assumptions about the markets we operate in, the Canadian economic environment, and our ability to attract and retain customers and to manage network assets and operating costs. Forward-looking statements may include words such as anticipate, believe, could, expect, goal, guidance, intend, may, objective, plan, outlook, seek, strive, target and will.

It is important to know that:

- Forward-looking statements describe our expectations on the day that they are made. For the forward-looking statements set out in this AIF, unless indicated otherwise, the expectations are stated as of March 29, 2006.
- Forward-looking statements are subject to important assumptions which may prove to be inaccurate and risks and uncertainties which are difficult to predict. Assumptions made in making these forward-looking statements are described below. Many other factors could also cause the actual results or events to differ materially from the results or events predicted. Some of the factors which could cause results or events to differ materially from current expectations include, but are not limited to: general economic conditions; stock market volatility; market or business conditions; the changing competitive environment; changing regulatory conditions or requirements; changing technology; changing discount rates and market returns on pension plan investments; our ability to achieve strategies and plans; our success in implementing productivity initiatives; and unforeseen changes in our relationships with important stakeholders. Some of these factors are largely beyond our control. For greater detail regarding these assumptions and factors please refer to the “Assumptions Made in the Preparation of Forward-Looking Statements” and “Risk Factors” sections of this AIF.
- Our actual results could differ materially from what we expect or predict if known or unknown risks affect our business, or should any factor affect us in an unexpected manner, or if our estimates or assumptions underlying the forward-looking statements turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, you are cautioned not to place undue reliance on these forward-looking statements.
- Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. In particular, actual results will be different if Aliant Inc. successfully completes the transaction, including the income trust conversion announced on March 7, 2006. Forward-looking statements included in this AIF do not anticipate or assume completion of this transaction. If the transaction is completed in the manner announced, actual results will differ materially from what has been anticipated herein. Such statements do not reflect the impact of dispositions, sales of assets, monetization, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them. Accordingly, the expected impact cannot be meaningfully described in the abstract or presented in the same manner as known risks affecting our business.

ASSUMPTIONS MADE IN THE PREPARATION OF FORWARD-LOOKING STATEMENTS

A number of assumptions were applied or made by Aliant Telecom in preparing forward-looking statements and in describing the risks that affect our business. The material assumptions are outlined in this section. The reader should note that assumptions applied or made in the preparation of this AIF, although considered reasonable by Aliant Telecom at the time of preparation, may prove to be inaccurate due to material factors and risks, as set out herein, that could cause actual results to differ materially from a conclusion, forecast or projection. Furthermore, the assumptions applied in the preparation of this AIF do not reflect the combined business that will result should the proposed income trust transaction described below under the heading "Recent Developments" be completed. Accordingly, our actual results could differ materially from our expectations as set forth in this AIF.

Economic Assumptions

Aliant Telecom's expectations are based on various assumptions concerning the Canadian and specifically the Atlantic Canadian economy. First, it assumes Atlantic Canadian GDP growth will be slightly higher than the Canadian average GDP growth of 3% for 2006 as estimated by the Atlantic Provinces Economic Council (APEC). Atlantic Canadian GDP growth is expected to be driven primarily by several large-scale business and public sector projects, while the overall population growth is expected to be lower than in other parts of Canada, if not slightly negative. It also assumes that the general level of interest rates and the inflation rate will remain fairly stable, but will rise slightly (no more than one percentage point each) from current levels. For this purpose current levels are indicated by the approximate 4% interest rate on Government of Canada 5-year bonds and the approximate 2% growth rate of the Consumer Price Index.

Market Assumptions

Our expectations also reflect various assumptions about the markets in which we operate. First, we have assumed growth in the overall Canadian telecommunications market in 2006 slightly higher than GDP growth. Second, we have assumed that our market share of the consumer voice telecommunications market will continue to decrease in 2006 due to the entrance of new competitors, particularly cable companies, and broad industry trends such as wireless and Voice over Internet Protocol (VoIP) substitution. Third, we do expect some forbearance from regulation in those markets where voice service competition is well established, namely in certain parts of Nova Scotia and Prince Edward Island. Finally, specific to the business market, the information and communication technology (ICT) sector's growth is forecast by International Data Corporation (IDC) to be approximately 5%, which is above that forecasted for the overall Canadian economy. Our assumption is that we will capture more of the ICT market in Atlantic Canada and adjacent geographies, as we leverage our ICT integration and introduce new ICT solutions for key industries, such as contact centres, health care and the public sector.

Financial Factors and Assumptions

Our financial assumptions anticipate increased net income from revenue growth and through productivity improvements. We also expect to benefit from an effective tax rate that remains consistent with Canadian statutory rates. Our net income for 2006 is expected to be negatively affected by the accounting for non-cash losses on two interest rate derivative contracts that we anticipate will be exercised during 2006. For details on these contracts and the anticipated outcomes, refer to the "Other financial arrangements" section of our management's discussion and analysis for the year ended December 31, 2005.

We anticipate earnings growth to contribute to generating more than sufficient cash flow in 2006 to meet our operating, financing and investing requirements. Operating needs include total defined benefit (DB) pension and other post employment benefit (OPEB) plan contributions for 2006 of an

estimated \$120 million to \$130 million. These estimates include our anticipated impact of lower interest rates that were in effect at the end of 2005 and new actuarial valuation rules that were enacted in the last year, however, they are subject to revision based on new plan valuations to be completed later in 2006.

Financing requirements include our regular common and preferred share dividends. Investing requirements include our capital investment program, estimated to be \$350 million to \$380 million. In 2006, our capital investments will reflect a continued emphasis on strategic initiatives required to grow and transform our business. Approximately 60 per cent of our 2006 capital investments will support continued growth in our business. Approximately 20 per cent of our 2006 capital investments will support improving our customer experience and transforming our operational effectiveness, and the remaining approximately 20 per cent of our 2006 capital investments will be directed toward sustaining our existing business and levels of reliability. For additional information regarding key assumptions and risk factors, please refer to the "Risk Factors" section of Aliant Telecom's management's discussion and analysis for the year ended December 31, 2005.

All of the forward-looking statements made in this document are qualified by these cautionary statements, and there can be no assurance that the results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences for Aliant Telecom. Readers should not place undue reliance on any forward-looking statements.

CORPORATE STRUCTURE

NAME AND INCORPORATION

Aliant Telecom Inc. was incorporated on August 4, 1999, under the *Canada Business Corporations Act* to become the telecommunications arm of our parent company, Aliant Inc. ("Aliant" or "parent company"). Our registered office is at 69 Belvedere Avenue, Charlottetown, Prince Edward Island, C1A 7M1 and our corporate head office is at 1 Brunswick Square, Saint John, New Brunswick, E2L 4K2.

INTERCORPORATE RELATIONSHIPS

The table below presents our principal direct and indirect subsidiaries at December 31, 2005. The table includes the jurisdiction of incorporation or continuance and the percentage of voting and non-voting securities or partnership interests that we beneficially owned or otherwise controlled directly or indirectly as at December 31, 2005.

Subsidiary or Investment	Jurisdiction of Incorporation or Continuance	Percentage of voting securities which Aliant Telecom beneficially owns, controls or directs
Aliant Telecom Inc.	Canada	
MT&T Mobility Inc.	Canada	100.0%
Atlantic Mobility Products Ltd.	Nova Scotia	45.0%

Certain subsidiaries, which represent less than 10% of our consolidated assets, sales and operating revenues and which, in aggregate, represent not more than 20% of the same consolidated results, have been omitted from the table.

Aliant Telecom is a wholly owned subsidiary of Aliant. As of December 31, 2005, BCE Inc.'s (BCE) indirect ownership of Aliant was approximately 53.2% (2004 - 53.2%) of its outstanding common shares, which makes BCE our controlling shareholder.

GENERAL DEVELOPMENT OF THE BUSINESS

OVERVIEW

We are a telecommunications-focused company based in Atlantic Canada. We are a wholly owned subsidiary of Aliant and operate its telecommunications line of business. We provide a wide range of innovative and traditional voice and data communications services including local, long distance, wireless, Internet and other services. We also provide complementary services in wholesale distribution of wireless handsets, accessories and other telecommunications products. The Telecommunications operating business, is a reportable segment and during 2005, was sub-divided into two reportable segments, wireline and wireless.

RECENT DEVELOPMENTS

On March 7, 2006, Aliant announced that it had entered into an agreement with BCE to combine Aliant's wireline telecommunications operations with Bell Canada's wireline telecommunications operations in its regional territories in Ontario and Quebec and BCE's 63.4% indirect interest in the telecommunications operations in certain additional territories in northern Ontario and Quebec that are carried on by Telebec, Limited Partnership and NorthernTel, Limited Partnership, and to convert Aliant from a corporate entity into an income trust. As part of this arrangement, Aliant will also transfer its wireless telecommunications operations and its interest in DownEast Ltd. ("DownEast") to Bell Canada. Completion of this transaction is subject to a number of conditions including approval of the shareholders of Aliant and other regulatory and court approvals and third party consents. A meeting of the shareholders of Aliant is scheduled to be held on May 17, 2006 to consider this transaction. The transaction will be fully described in the Notice of Meeting and Management Information Circular for the Annual and Special Shareholders Meeting which is expected to be filed on SEDAR the week of April 17, 2006. Upon the closing of this transaction, which is currently expected to be by the third quarter of 2006, BCE will hold a 73.5% direct or indirect interest in the new income trust. BCE has announced its intention to reduce its fully-diluted ownership of the new income trust to approximately 45% through a distribution of units in the new income trust to BCE common shareholders. At closing, Aliant's minority shareholders will exchange their existing common shares for units of the new income trust, retaining a 26.5% interest therein. Reference is made to the Aliant and Aliant Telecom Material Change Report dated March 16, 2006, which is incorporated by reference herein and can be accessed on SEDAR at www.sedar.com.

THREE YEAR HISTORY

2003 Highlights

In 2003, we strengthened our focus on our core business, which included participating in our parent company's strategy to divest of non-core assets. Our 50 per cent interest in 3618412 Canada Inc. ("SableCom") was sold in August, 2003. In addition, we focused on improving our balance sheet and supporting our parent company in providing increased value to its shareholders.

2004 Highlights

In 2004, we realigned our organization to bring our operations closer to our parent company's information technology segment, operated by Xwave Solutions Inc. (xwave), enabling us to deliver one point of contact with business customers and provide integrated end-to-end information and communication technology (ICT) solutions.

Labour Disruption and Voluntary Early Retirement Incentive Program

Our 2004 performance was marked by a five-month labour disruption that ended on September 20, 2004. A new collective agreement was signed which lasts until December 2007 and which provides us with greater flexibility to manage our workforce in a highly competitive and rapidly changing marketplace. The labour disruption is estimated to have negatively impacted our 2004 net income by \$43 million.

In October 2004, we offered a voluntary Early Retirement Incentive Program (ERIP) to eligible employees. The offer was accepted by 654 employees or 11% of our workforce. The ERIP resulted in a \$62.2 million charge against income in the fourth quarter of 2004, reducing net income by \$39.4 million. This program allowed us to realize approximately \$36 million in operating expense savings for 2005.

Both the settlement with our unionized employees and the ERIP resulted in material changes to the costs of providing pensions and other post-employment benefits (OPEB) in 2004 and future years.

2005 Highlights

In 2005, we delivered revenue growth and cost savings, and demonstrated a strong rebound from the challenges of 2004. Notwithstanding the effects of the 2004 labour disruption and ERIP, employees transitioned back to work and re-committed to our strategy of growth and transformation.

Our balance sheet remains strong and generates more than sufficient cash flow to meet operating, financing and investing requirements, including higher pension plan contributions required as a result of 2004 plan changes, lower interest rates and new actuarial valuation rules that were enacted in 2005.

We launched Aliant IP virtual private network (VPN), our next generation business IP wide-area network (WAN) data service, connecting customers' offices and data centres throughout Atlantic Canada to the rest of the country. Aliant IP-VPN is the first IP service to be offered by us over our new state-of-the-art national multi-protocol label switching (MPLS) network, developed along with Bell Canada, and will enable us to deliver VoIP, IP video conferencing, IP call centre applications and other future IP applications. In 2005 we invested aggressively to accelerate the expansion and augmentation of our DSL network and launched our Aliant IPTV service in the Halifax market.

We launched a technology trial and plan to roll out Evolution Data Optimized (EV-DO), a third generation (3G) digital wireless technology this year. Aliant's EV-DO service was initially introduced to customers in the Halifax area in early 2006 and then expanded to other areas across Atlantic Canada.

2006 STRATEGIC DIRECTION

On March 7, 2006, Aliant announced that it had entered into an agreement with BCE to combine Aliant's wireline telecommunications operations with Bell Canada's wireline telecommunications operations in its regional territories in Ontario and Quebec and BCE's 63.4% indirect interest in the telecommunications operations in certain additional territories in northern Ontario and Quebec that are carried on by Telebec, Limited Partnership and NorthernTel, Limited Partnership, and to convert Aliant from a corporate entity into an income trust. As part of this arrangement, Aliant will also transfer its wireless telecommunications operations and its interest in DownEast to Bell Canada. Completion of this transaction is subject to a number of conditions including approval of the shareholders of Aliant and other regulatory and court approvals and third party consents.

DESCRIPTION OF THE BUSINESS

BUSINESS OF ALIANT TELECOM

Employees

As of December 31, 2005, we had 6,302 employees (2004 - 6,149, 2003 - 6,363). Approximately 42 per cent of our workforce was unionized as of December 31, 2005. In 2005, 692 employees accepted early retirement.

Products and Services

Atlantic Canada is the principal market in which we operate. Our focus is on three customer segments: consumer, small-to-medium sized businesses (SMB) and enterprise businesses. The following telecommunication products and services are offered to our customers:

Local

Local revenue is earned from providing the following services:

- Network access service - monthly access charges for provision of local telephone service;
- Enhanced service features - value added services, such as call answer, call display and call forwarding;
- Data access - local data access services such as frame relay, asynchronous transfer mode and interoffice digital access;
- Contribution payments - subsidies from the telecommunications industry-financed National Contribution Fund for the provision of residential local service in high cost areas;
- Competitor payments - fees paid by competitors that access our local network; and
- Other revenues - from telephone set rentals, payphone usage and service charges.

Long distance

Long distance revenue is earned through providing the following services:

- Toll service - long distance voice services, including toll-free service;
- Data network service - long distance data transmission circuits; and
- Long distance terminating - the rates paid by certain telecommunications carriers for long distance calls terminating with our customers.

Wireless

Wireless revenue is earned through the provision of cellular, paging and mobile radio services over our analog and digital wireless network. Cellular revenues consist primarily of monthly recurring charges and also include charges for airtime, long distance, roaming and enhanced service features such as text and video messaging and Web browsing.

Internet

Internet revenue is earned through high-speed (regular and ultra) service, dial-up service and enhanced services and applications such as TV on my PC™, security services, music download service and dial-up accelerator.

Other telecommunications services

Other telecommunications revenues consist primarily of product sales, rental revenue, late pay charges, and directory revenue.

The following tables summarize revenue for each category of principal products or services. Revenues are further summarized by the source from which they are derived: external customers, BCE and its controlled interests, and parent company and its controlled investees.

Revenue by Category

For the year ended December 31, 2005

(in thousands of dollars)

Reportable segment	Revenue category	Revenue source:			Consolidated operating revenue
		External customers	BCE and its controlled investees	Intersegment	
Telecommunications					
Wireline	Local	\$ 692,572	\$ 35,717		\$ 728,289
	Long distance	240,096	70,572	8,291	318,959
	Internet	131,882	0		131,882
	Products	124,351	0		124,351
	Other	17,062	1,426		18,488
		1,205,963	107,715	8,291	1,321,969
Wireless	Wireless	424,692	14,928		439,620
Operating revenues		1,630,655	122,643	8,291	1,761,589

For the year ended December 31, 2004

(in thousands of dollars)

Reportable segment	Revenue category	Revenue source:			Consolidated operating revenue
		External customers	BCE and its controlled investees	Intersegment	
Telecommunications					
Wireline	Local	\$ 716,395	\$ 33,856		\$ 750,251
	Long distance	259,356	82,010	7,143	348,509
	Internet	119,089			119,089
	Products	109,738			109,738
	Other	12,314	2,118		14,432
		1,290,531	117,984	7,143	1,342,019
Wireless	Wireless	382,188	4,173		386,361
Operating revenues		1,672,719	122,157	7,143	1,728,380

We are not dependent on any single customer for 15% or more of our revenues or income, but larger business customers and government agencies do account for a significant portion of our revenues.

Cycles

Telecommunications operating revenues and expenses have historically experienced some degree of seasonality, but this impact has lessened in recent years. In the past wireless revenues peaked in the third quarter of the year, resulting from increased airtime, long distance and roaming during summer vacations but have recently been experiencing steady growth. The comparability of quarterly results continues to be affected by the timing of product sales, which are typically large and sporadic in nature.

New products and services

We are constantly evaluating our market and changing our product and service offerings to better meet the needs of our customers. These changes can involve pricing, packaging and new products, such as those outlined below.

In 2005, we introduced new wireless products and other handsets with expanded data and video capabilities. We were also the first to launch video messaging in Atlantic Canada. We also introduced international text messaging. We also launched new Internet services in 2005.

Our development efforts in 2005 focused on the following:

- Collaborating with our business customers to develop IP-based solutions through the launch of three Voice over Internet Protocol (VoIP) demonstration centers, enabling us to work with our enterprise customers. We also worked with Bell Canada towards the launch of a SMB Innovation Centre in 2005.
- Developing a Fibre-to-the-Home solution that was launched in January 2005 as a pilot project in Halifax. This project delivers VoIP and high-speed Internet at speeds almost ten times faster than regular high-speed and will allow us to trial future IP-based solutions.
- Developing an IPTV solution for our consumer market to provide digital television service. We launched Aliant TV in parts of Halifax in the second quarter of 2005, offering a fully digital television service with over 200 TV and music channels, including local content.

Marketing and distribution channels

We sell our products and services through approximately 1,650 call centre representatives, 210 independent dealer stores, 48 DownEast stores and our Aliant.net website. As well, we are able to facilitate customer payments through over 250 payment agencies. During 2005, we made process improvements to simplify and speed-up various types of customer interactions and introduced online ordering on our website.

Our ability to combine service offerings is integral to our success, driving loyalty and protecting our customer base. In 2005, we continued market penetration by offering Value Packages that combine high-speed or dial-up Internet service with the customer's choice of a long distance plan and, if desired cellular service and IPTV. In our business market, we also provide combined service offerings in the form of business bundles and customized solutions.

Evolution of our network

We continue to build a state of the art Next Generation Network (NGN) that will position our business to grow while providing new innovative services to our customers. We shall continue to invest in IP-based network infrastructure and customer centric applications such as VoIP, Optical Ethernet (OE) and Virtual Private Network Enterprise services. Our network will incorporate emerging and mature standards such as Session Initiation Protocol, and Multi Protocol Label Switch (MPLS) as part of the transition to NGN. By building and positioning the network to support future IP based services, the investments we are making in the network will increase its longevity.

In 2005, we continued to place greater emphasis on our next generation business by upgrading our network and services to be IP capable. In conjunction with Bell Canada's and our other technology partners, we will continue to build the network to support VoIP, OE and MPLS based services as customer demands, customer needs and technology dictate.

We continue to actively invest and partner with communities and government to realize the objectives and vision of Industry Canada's Broadband for Rural and Northern Development (BRAND) program. BRAND is an initiative designed to bring broadband service to Aboriginal, northern and rural communities across Canada. In New Brunswick, we also worked in partnership with the provincial and federal governments to deliver broadband infrastructure to rural communities. These partnership opportunities complement our overall investment in the growth and expansion of our Broadband High-Speed Internet DSL based service.

Our NGN transition also includes our mobile wireless network which has evolved from our existing Code-Division Multiple Access (CDMA) voice wireless network to 1xRTT. Our network now delivers the fastest wireless data speeds with the best coverage in Atlantic Canada. The rapid adoption of wireless data services by our customers has prompted us to advance our next phase of CDMA evolution called 1x Evolution Data Optimized (1xEVDO). 1xEVDO mobile IP technology provides even faster access to the Internet, e-mail, instant text-messaging, games, corporate networks and data, which will bring a new level of appeal for wireless devices among customers seeking a personalized, feature-rich mobile experience.

Specialized Skill and Knowledge

To provide reliable, competitive and innovative products and services to our customers, we will be adopting IP based technologies at an increasing rate. We will also build solutions that take advantage of the convergence of traditional ICT. Employee development remains a key priority to advance the skills of network employees in IP based technologies, as well as those responsible for product/service development, sales and delivery of IP based products and services to our customers. We are also investing in the development of our leaders at every level of the organization to ensure that employees understand our future direction and continue to have the capability to deliver in the increasingly competitive ICT sector.

Competitive Conditions

Refer to the 'Risk Factors' section under 'Increasing Competition' for a discussion of competitive conditions.

Intangible Properties

All trademarks, or corporate, trade or domain names used in this AIF are the property of their owners. We believe that our trademarks, brand and domain names and other tangible assets (such as spectrum licences, software, customer lists and residuals). are important to our success. Our exclusive trademark registrations may be renewed every 15 years provided we continue to use the trademarks in our business activities. We take appropriate measures to protect, renew and defend our trademarks. We spend considerable time and resources overseeing, registering, renewing, licensing and protecting our trademarks and prosecuting those who infringe on them. Given our great sensitivity to the importance of these assets, we are also very careful not to infringe the intellectual property of others.

Relationship with BCE and Bell Canada

Memorandum of Agreement with BCE & Bell Canada

On March 19, 1999, Aliant entered into a Memorandum of Agreement (MOA) with BCE and Bell Canada. This long-term strategic alliance agreement describes the understanding between Aliant, BCE and Bell Canada with respect to a strategic alliance for the provision and delivery of telecommunications services.

The MOA identifies the Atlantic Provinces as Aliant's serving territory and Quebec and Ontario as the serving territory of Bell Canada. The MOA provides that Aliant is the vehicle by which

telecommunications services will be offered in our territory, and commits BCE and Bell Canada to the development and growth of a strong and independent Aliant. The MOA assures that Aliant is Bell Canada's preferred supplier of telecommunications services offered in the Atlantic Provinces and it identifies specific areas of co-operation for the purpose of providing seamless delivery of services.

Through this MOA, we gained access to Bell Canada's technology, the exclusive right to use specified Bell Canada trademarks in our territory, and a license to use Bell Canada's promotional materials. Bell Canada agreed to promote the use and sale of technology and intellectual property developed by us. Aliant and Bell Canada agreed to provide each other with support services, including access to operational support and technical, marketing, training and similar assistance. We have and will continue to attempt to achieve benefits resulting from collaboration such as the aggregation of traffic and purchasing requirements.

With an initial term of five years, the MOA will continue in effect for as long as BCE holds an interest in Aliant of at least 10%, subject to termination rights on the occurrence of certain specified events. BCE agreed not to proactively increase its ownership interest in Aliant beyond 55% except by making an offer for all remaining common shares. BCE is entitled to appoint at least two directors to a current Aliant board of 12 directors (which can be increased to 15 directors without BCE's consent or additional representation). BCE currently has 5 directors appointed to the Aliant board.

Bell network alliance

In 2002, with the objective of developing a more integrated network infrastructure between Aliant Telecom and Bell Canada, we signed a Network Outsourcing Agreement (NOA) under which:

- Bell Canada provides technology planning and development engineering services for the strategic evolution and development of our network architecture and services platform;
- Bell Canada also provides network planning and provisioning services for the planning, design and deployment of our network infrastructure for annual growth and augmentation; and
- We manage and approve network capital expenditures, manage technology introduction and support the development of enhanced service applications.

We also signed a bi-lateral intellectual property agreement with Bell Canada that provides access to a broad spectrum of each other's intellectual property in addition to providing us with access to Bell Canada's engineering and network intellectual property.

Through these agreements we are able to leverage the economies of scale of Bell Canada's engineering organization to plan and develop our network infrastructure. This supports the following:

- migration to common network technologies;
- sharing best-in-class systems and processes;
- improvement to customer service delivery and support;
- reduction of capital and operating expense costs; and
- reduction of provisioning intervals for technology deployment to support new services.

In November 2004 we also signed a Letter of Agreement ("LOA") that outlined the intent to build a joint MPLS network to further leverage technologies and facilitate service for our national customers. The network was designed and implemented in the fall of 2005. This network was designed to handle

emerging technologies such as VoIP and Internet protocol virtual private networks. In 2005 we also entered into discussions with Bell Canada regarding our 411 service. Aliant was seeking to leverage Bell Canada in outsourcing operator service calls during non-prime hours and weekends. This arrangement was successfully consummated on January 23, 2006.

Bell Wireline Business Combination

As noted above, on March 7, 2006 Aliant announced that it had entered into an agreement with BCE to combine Aliant's wireline telecommunications operations with Bell Canada's wireline telecommunications operations in its regional territories in Ontario and Quebec and BCE's 63.4% indirect interest in the telecommunications operations in certain additional territories in northern Ontario and Quebec that are carried on by Telebec, Limited Partnership and NorthernTel, Limited Partnership, and to convert Aliant from a corporate entity into an income trust. As part of this arrangement, Aliant will also transfer its wireless telecommunications operations and its interest in DownEast to Bell Canada. Readers are referred to the Material Change Report and the Property Exchange and Arrangement Agreement for further details of this transaction, both of which can be accessed on SEDAR at www.sedar.com.

Environmental Policy

Protecting our people and the environment is a top priority in all aspects of our operations. Our employees work together effectively:

- to identify activities and situations which may have potential to harm the environment; and
- to implement environmentally positive practices and preventive measures.

Our environmental program ensures we comply with regulatory requirements and we monitor results to minimize risk to the environment. This policy is implemented through training and awareness, and is integrated into operations to ensure that we do not cause significant impact to the environment in the course of our regular operations. We have an environment emergency response procedure in place in case an incident occurs. The policy statement itself is reviewed regularly and authorized by our chief operating officer.

The costs of the environmental program are not expected to have a material impact on earnings, capital expenditures or our competitive position in the current year or future years. As well, management is not aware of any environmental matters that materially threaten our future earnings or financial and competitive position. In the event there is a significant environmental infraction, it will be brought to the attention of our Audit Committee.

RISK FACTORS

Management is confident about our long-term prospects, but we recognize that we are exposed to a number of risks in the normal course of business that could have a negative effect on our financial condition or results of operations. The risks noted may not be exhaustive as there may be other risks that we are currently unaware of or that we presently consider insignificant to our consolidated operations.

General Economic Conditions

Changes in general economic conditions, customer confidence and spending affect the demand for, and prices of, our products and services. In particular, a downturn in general economic conditions could lead to:

- Lower than anticipated demand for IT services and products and integrated ICT solutions;
- Lower than expected growth in data revenue due to softer demand from enterprise and wholesale customers;
- Lower than anticipated long distance and wireless revenues due to decreased usage; and
- Higher than anticipated bad debt expense due to increased credit risk.

The existence of these conditions or the emergence of new conditions could reduce revenues or increase costs, negatively affecting results. We constantly monitor economic conditions to enable us to respond by implementing strategies to mitigate risks or adjusting assumptions used in recording the effects of these risks on our results.

Pension Plan Funding

Our required DB pension and OPEB plan funding for 2006 is estimated to be in the range of \$120 million to \$130 million. This estimate is subject to change, as we remain exposed to general future valuation risk. Actuarial valuations will be required as of December 31, 2005, for all of our DB pension plans. Required funding levels for 2006 and beyond may change as a result of these updated actuarial valuations. If the return on plan assets, interest on the obligation, or actual experience of the plans are better or worse than initially anticipated, the valuations could result in either lower or higher minimum required contributions.

Higher cash contributions are gradually leading toward an improved going concern funding position for the DB pension plans. As this occurs, we are shifting the asset mix and strategies in the pension plan funds to mitigate the impact that future interest rate changes and investment returns will have on the plans' funding position. As well, all of our DB pension and OPEB plans are now closed to new entrants, placing a cap on the future growth of these obligations.

Reliance on Systems

We are reliant on our systems as they enable us to provide services to customers, manage customer relationships, billings and inventory. They also support many other vital activities. These systems are made up of many integrated parts consisting of cable, equipment, buildings and towers, IT equipment, IT software and the related data. Our operations depend on how well we protect these components against damage from fire, natural disaster, power loss, hacking, computer viruses, disabling devices, deliberate acts of vandalism, acts of war or terrorism, and other events. Any of these events could cause our operations to be shut down indefinitely. Our systems are connected with the systems of other telecommunications carriers, and we rely on them to deliver some of our services. Any of the events mentioned previously, as well as strikes or other work disruptions, bankruptcies, technical difficulties or other events affecting the networks of these other carriers, could hurt our business, including our customer relationships and operating results.

Changing Technology

We operate in an industry that experiences constant change, driven by rapid advances in technology, evolving industry standards, customer demands and short product life cycles. Our success is dependent

on our ability to anticipate and respond to these changes in order to effectively deliver new services and technologies to our customers.

There is a risk associated with adopting new technologies to serve our business needs. New technologies invested in may have shorter than anticipated product life cycles due to evolving standards or sudden advances in the development of competing products or services. This may result in increased re-engineering costs to incorporate new technology and may cause current products or services to become unmarketable or could cause prices to fall, resulting in a negative financial impact.

We are continuing the evolution of our network from a circuit-based technology infrastructure to an IP infrastructure. This evolution enables the development of enhanced services for our customers through the integration of voice, data and video. This integration plays a significant role in increasing operating and capital efficiency. In some cases, significant investments need to be made before it can be determined if the new services will be successful in the marketplace. There is no assurance that customers will adopt these new services or migrate from existing services in a reasonable period of time.

The adoption of new IP-based services may be influenced by the customer perception of the security, reliability and quality of IP networks. There are no assurances that solutions will be available to allow service providers to totally defend customers against all forms of computer viruses and attacks.

We are responding to the fast pace of technological change by embracing new service development with strategic partners, accelerating new service introduction and developing an integrated growth plan to remain a next generation services provider. The success of new products is influenced by a number of factors, not all of which are under our control. Considerable effort is expended to ensure we correctly interpret, predict and respond to changes in technology, the regulatory environment, partner relationships and customer demand. However, we are not immune to sudden or unanticipated changes in any of these areas. This may result in the failure of new services and products to meet expectations and result in lower than anticipated net income.

Increasing Competition

Atlantic Canada continues to be among the most competitive telecommunications markets in North America for local residential service. Our Atlantic Canadian population and economy are growing slowly compared to the rest of the country, yet our competitors are among the largest, nationally and internationally. In our business market, we compete with traditional telecommunication operators that are commoditizing communications services and also with international system integrators offering consulting and solutions, based on in-depth vertical knowledge learned elsewhere.

Our focus is on building trust-based relationships with our customers and collaborating with them to make their businesses successful. Our strategy includes enhancing our services and packages to create compelling value, innovating with our customers to provide complete integrated ICT solutions, improving our cost structure to enable greater price competitiveness, and expanding our IP network and its capabilities to provide broader access and innovative solutions. Competition, and particularly changes in the competitive landscape, can place these strategies at risk, and as such have a negative impact on future revenue growth and profitability. In recognition of this we constantly monitor our marketplace and respond accordingly to ensure we maintain our leadership position.

Local and long distance

In 2006, it is expected that a new competitor will begin to offer local telephone service in a large portion of our marketplace. This competitor will have the ability to offer four-services bundles, consisting of telephone, Internet, wireless and TV. Cable competitors are free from regulation and are able to offer local service in bundles at greatly reduced prices in a bid to gain market share. We are vigilant and passionate about our customers and continue to pursue them with compelling value

packages, offering value, simplicity and competitive pricing. However, there is no assurance that this will mitigate churn and market share erosion resulting from new competitive entrants to our marketplace.

In addition to cable competitors in our local service market, a threat to our customer base continues to be the slow and gradual replacement of local landline service with wireless-only service. This puts pressure on revenues for local service and also leads to declining revenues for services and features that are carried on the local network, including Internet and long distance.

The value of long distance as a stand-alone service has diminished but it is an integral component in the customer solution. In the telecommunications industry, long distance is increasingly offered within flat-rate calling plans while alternatives like VoIP, instant messaging and peer-to-peer applications replace traditional calling, contributing to continued price and minute erosion. Competition continues with dial-around and prepaid card providers, traditional primary interexchange carrier competitors and resellers, and most recently, VoIP providers. VoIP will continue to erode traditional long distance as the technology improves and managed VoIP services are launched, making the technology transparent and more attractive to the consumer. We are currently conducting a VoIP technical trial and results will be integrated into our voice evolution strategy.

Wireless

National and international wireless providers dominate our landscape. Competitors are increasing their network coverage and dealer channel breadth while service offerings including reduced rates for local and long distance minutes, innovative applications and handsets are being promoted as the new differentiators. This activity results in constant pressure on our pricing and revenues. We expect intense competition to continue as the industry has forecasted continued growth in wireless penetration and application opportunities. While competitors threaten our position in the market place, we continue to invest in our network, collaborate with our customers to provide innovative solutions, and present extensive, reliable coverage and customer service they can trust.

Internet

Internet penetration is still growing in our market. As IP becomes standard, we are experiencing an increasingly diverse and global group of competitors ranging from cable providers with excess network capacity to IT companies, equipment providers and system integrators that increasingly bundle telephony components and professional services into solutions at commodity prices. We are continually challenged by these competitors as they assert pressure on our pricing, revenues and market share. We will continue to build our ICT expertise and to serve our customers holistically, helping them evolve their networks and providing them with world-class industry-specific solutions.

Television

We are new entrants to the television market with our launch of Aliant TV, our IP-TV service. We launched this service in one area while offering our entire market the choice of satellite TV through Bell ExpressVu service. Cable TV penetrates the majority of our market and accounts for the majority of market share. While we are starting to gain market share with Aliant TV service, and the opportunity for growth is large in specific markets, Aliant TV service requires high-speed Internet and will be dependent on high-speed Internet-penetrated urban areas. Television is integral to home entertainment and to bundled packages. Through Aliant TV service we are offering customers the opportunity to be early adopters of an innovative, yet familiar, product.

Changing Regulations

Overall regulatory environment

Our business is affected by decisions made by the Canadian Radio-television and Telecommunications Commission ("CRTC" or the "Commission"). This has been a challenging year with several significant decisions being made by the Commission.

Our profitability continues to be negatively influenced by regulatory changes concerning the rates charged and the terms and conditions offered for price-regulated services. The outcome of future regulatory reviews could have an impact on our ability to compete effectively and our future revenues and costs.

On March 22, 2006 the Telecom Policy Review Panel released its long awaited Final Report. This comprehensive report provides the Minister of Industry with recommendations on Telecom Policy, Regulatory Regime and Information Communication Technology (ICT) strategy. The Panel concluded that it is time for significant changes to current regulatory and policy approaches, which will allow our industry to respond more rapidly to new technology and market developments.

Today the prices of telecommunications services offered by competitive local exchange carriers (CLECs) are free from rate regulation while many of our local and other telephone service rates continue to be regulated by the CRTC. Any change in the regulations governing these services can potentially affect us.

The CRTC is currently reviewing a number of items that could have a financial impact on our Company. A decision on our application for forbearance from price regulation of local residential services in certain areas or exchanges in Nova Scotia and Prince Edward Island which would allow for greater pricing flexibility and symmetrical competition is expected in April 2006. As well, we are expecting a decision shortly on our request that the CRTC exclude from the calculation of service quality related customer rebates for the reporting period of April to December 2004, certain below-level service standards associated with the 2004 labour disputation. We will also be faced with other challenges in 2006, including appealing the VoIP decision and implementing the CRTC's requirements for wireless number portability.

Local services forbearance application

In April 2004, we filed a forbearance application with the CRTC requesting them to stop regulating local residential phone service within certain areas of Nova Scotia and Prince Edward Island where there is significant local residential competition.

In addition to the forbearance request, we also asked for interim relief from certain restrictions on promotions and certain rates that required CRTC approval until the CRTC ruled on the framework for local service forbearance. In August 2004, the CRTC determined that our request for relief from these restrictions will be considered as part of a proceeding in which our request for forbearance for local service will be addressed.

On October 7, 2005, the formal process with regards to the CRTC proceeding on local forbearance was completed and a decision is expected in April 2006.

Quality of service rebates

In 2005, we filed applications requesting that the CRTC exclude from the calculation of service quality related rebates, certain below-level service standards associated with the labour disruption of our unionized workforce in 2004 and the residual effects of the lengthy work stoppage.

A decision from the CRTC related to our 2004 reporting period has been delayed and is expected later in 2006.

Deferral account

In the 2002 Price Cap Decision, the CRTC established deferral accounts. The CRTC created deferral accounts to address concerns that ILEC price decreases for residential services based on the price cap formula would negatively affect competition. Based on this rationale, the Commission ordered companies to put the amount that would otherwise have been granted as annual price reductions into this notional account. On February 16, 2006, the CRTC issued its decision regarding the application of the deferral account rules, indicating that ILECs should clear the accumulated balances in their deferral accounts by expanding broadband services to rural and remote areas that are currently unserved and would not otherwise be served, and by improving the accessibility to telecommunications services for persons with disabilities. Our deferral account is estimated at \$22.0 million.

Current price cap regime extended

Current price cap rules that were scheduled to expire in 2006 under the CRTC Price Cap Decision of May 2002, have been extended for a period of one year to May 31, 2007. Prices for certain ILEC services will continue to be capped by an index calculated using a target productivity factor and an inflation measure. During years that inflation is lower than the target productivity factor, ILECs will be required to reduce certain retail prices.

The CRTC will begin a price cap review in the first half of 2006 after they have released their decision on local service forbearance. The CRTC decision based on this review could greatly affect us as well as our customers and competitors.

VoIP appeal

In conjunction with other Canadian ILECs, we filed a petition with the Governor in Council seeking a fundamental change to the Commission's VoIP decision. The petition emphasized the fact that VoIP is indeed a different service than traditional landline access service and that the Commission's approach to regulating VoIP would ultimately harm innovation and competition in Canada.

If the Commission's decision is not altered, we will be working in an environment in which we are subject to price-regulation while competitors are not. This could negatively affect our future revenue potential.

Wireless number portability

In December 2005, the CRTC issued its decision on the implementation of Wireless Number Portability, providing for the porting of telephone numbers between wireless carriers in Canada and between wireless and wireline services.

Certain wireless carriers are required to implement complete portability by March 14, 2007, while other carriers, including Aliant Telecom, must be able to port-out numbers by March 14, 2007, with the ability to port-in by September 12, 2007. To accommodate this, our system modifications will likely require a single implementation plan, therefore we are working toward the delivery of full number portability by the earlier date.

This issue affects our customers and a number of our internal wireless and wireline systems. The timeframe for implementation will be very challenging.

Legal Contingencies and Changes in Laws

We review all legal proceedings and make an assessment of the likelihood of a negative outcome and the estimated impact. Losses are accrued when a potential loss is deemed probable and its impact can be reasonably estimated. However, pending or future litigation could still have a material and negative effect on our results of operations, cash flows and financial position in the period in which the judgment or settlement occurs.

In addition, the adoption of new laws, changes in laws or changes in their interpretation, including changes in tax laws or rates, could materially or negatively affect our results of operations, cash flows and financial position.

Capital management risks

The financial transactions we participate in may expose us to credit, interest rate and financial instrument risks. Periodically, we use interest rate swaps and swaptions, forward contracts and forward rate agreements to manage our exposure to interest rate risk associated with our long-term debt or firm commitments. The terms of these derivative contracts match the terms associated with the underlying long-term debt or other hedged obligation. These contracts are generally used to reduce risks in financing costs and to diversify our access to capital markets.

Credit risk

We are exposed to credit risk with respect to accounts receivable from customers, but the concentration of this risk is minimized because we have a large and diverse customer base. We have credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and maintain provisions for potential credit losses that are assessed on an ongoing basis.

Interest rate exposures

Our long-term debt consists primarily of fixed interest rate financing. We have in place an interest rate swap agreement that involves us exchanging our underlying fixed interest rate on a notional \$100 million of long-term debt for a floating interest rate. The foregoing results in approximately 11 per cent of our aggregate debt being exposed to short-term fluctuations in interest rates.

DIVIDEND POLICY

We pay dividends on our common shares to Aliant in such a manner and amount so as to fund quarterly dividend payments on Aliant's common shares and to manage our capital structure in an appropriate range. We paid dividends of \$192 million to Aliant during 2005 and \$185 million in 2004.

DESCRIPTION OF CAPITAL STRUCTURE

GENERAL DESCRIPTION OF THE CAPITAL STRUCTURE

We had \$899.0 million (2004 - \$889.5 million) of debt as at December 31, 2005. The foregoing was composed of \$185.0 million (2004 - \$185.0 million) of first mortgage bonds that are secured by our assets, \$700.0 million (2004 - \$700.0 million) of unsecured debentures and medium term notes (MTNs), and \$14.0 million (2004 - \$4.5 million) of capital lease obligations.

CONSTRAINTS

While the common shares of Aliant Telecom are not publicly traded, the *Telecommunications Act* of 1993 imposes foreign ownership limitations. Section 16 of this Act requires that in order to be eligible to operate in Canada, a telecommunications common carrier must be a "Canadian-owned and controlled corporation", incorporated or continued under the laws of Canada. Subsection 16(3) of the Act requires that Canadians beneficially own, directly or indirectly, in the aggregate and otherwise than by way of security only, not less than 80% of the corporation's voting shares issued and outstanding.

In 1994, the Government of Canada promulgated the Canadian Telecommunications Common Carrier Ownership and Control Regulations, which set the minimum Canadian ownership level for ownership at the holding company level at 66 2/3% of voting shares. Aliant, as the publicly traded holding company owning Aliant Telecom Inc., maintains our foreign ownership limits within this constraint.

RATINGS

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities.

Long-term debt ratings are meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both interest and principal commitments. The DBRS long-term debt rating scale ranges from "AAA", which represents highest credit quality, to "D", in arrears. Similarly, S&P ratings range from a high of "AAA" to a low of "D".

For DBRS and S&P, a designation of "high" or "low" and "plus" or "minus", respectively, after a rating indicates an issuer's relative strength within the rating category. The lack of one of these designations indicates a rating that is essentially in the middle of the category.

The "outlook" or "trend" indication by S&P and DBRS, respectively, appends the rating and is a "positive", "stable" or "negative". This is intended to give the investor an understanding of the rating agency's opinion regarding the outlook for the rating in question. However, a positive or negative outlook or trend does not necessarily indicate that a rating change is imminent. S&P provides its outlook only on the issuer's corporate credit rating, not each specific issue.

During the second quarter of 2005, (S&P) and (DBRS) adjusted the outlook, or trend, on our corporate credit ratings from stable to negative. Then, during the fourth quarter of 2005, DBRS downgraded our long-term debt rating, but resumed a stable trend for the rating. The adjustments generally reflect the expectation by these rating agencies of increased competition in local services as cable companies launch VoIP services in Canada.

Our ratings at December 31, 2005, were as follows:

	Rating at December 31, 2005	
	S&P	DBRS
Aliant Telecom unsecured long-term debt	A negative outlook	A (low) stable trend

The "A" rating range from DBRS is considered satisfactory credit quality. While the protection of principal and interest is substantial, these entities are considered more susceptible to adverse changes in financial and economic conditions and are more cyclical biased than higher rated companies. The "BBB" rating range from DBRS is considered adequate credit quality. The protection of principal and interest is considered acceptable, but these entities are fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities.

For S&P, the "A" rating represents a strong capacity to meet financial commitments, but is more vulnerable to a difficult economic environment than higher rated companies.

Prior to March 7, 2006, DBRS highlighted the following challenges to our credit rating. Aliant Telecom lacks size relative to other North American telecommunications companies, with only 1.5 million network access subscribers. The foregoing is related to the fact that Aliant Telecom operates in Atlantic Canada with lower population and economic growth rates than the national average. These factors contribute to limited growth opportunities in Atlantic Canada. However, this limitation also acts as a major barrier to entry against new competition.

DBRS also noted that while technology changes rapidly, infrastructure enhancements are expensive to initiate. In the past five years, Aliant Telecom has invested heavily in broadband and wireless infrastructure, with no guarantee that these services will provide new revenue growth. Future investments may drive capital expenditure levels higher within the next five years. At that time, DBRS remarked we lacked a long-term television solution to complete our current suite of communication services. Instead, our solution was to use satellite provider Bell ExpressVu to offer video services.

Meanwhile, prior to our March 7, 2006 income trust conversion announcement the most recent credit rating rationale from S&P discusses the following risks. We have experienced some erosion of residential subscribers, primarily to an incumbent cable operator in the Nova Scotia and Prince Edward Island markets. We have largely offset declines in local revenues as well as marginal declines in long distance revenues through growth in wireless and high-speed Internet revenues. A large portion of our revenue comes from local and long distance voice services, which may come under increased pressure in future from new entrants offering VoIP. Although VoIP is not expected to impact results over the near term, the long-term effects could be more significant. To maintain our ratings, we must continue offsetting declines in these areas through growth in wireless and internet services, and maintain a strong financial profile. Additionally, S&P expects that we will continue to have modest funding requirements for post retirement benefits for the next several years. However, the funding requirements are manageable and should not have a material effect on our cash flows.

On March 7, 2006, after Aliant and BCE announced plans to create an income trust of regional wireline operations, DBRS placed Aliant's and Aliant Telecom's ratings under review with developing implications. DBRS reasoned that the impending change to capital structure associated with the movement of Aliant's wireline assets into an income trust structure, along with potential uncertainty around how existing debt holders at Aliant will be treated during the process needed to be reviewed. On completion of the trust conversion DBRS has indicated preliminary ratings of "BBB (high)" for the new income trust. DBRS expects to issue a full rating report when the transaction closes in the second half of 2006. Similarly, S&P placed Aliant's and Aliant Telecom's credit ratings on credit watch with negative implications. On completion of the trust conversion, S&P anticipates that the credit rating on Aliant is expected to be lowered "BBB" with a stable outlook. S&P expects to issue a full rating report when the transaction closes in the second half of 2006.

The credit ratings accorded to our securities by S&P and DBRS are not recommendations to purchase, hold or sell the securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that the foregoing ratings will remain in effect for any given period of time or that the ratings will not be withdrawn or revised entirely by S&P or DBRS at any time in the future if, in the judgment of either or both, circumstances so warrant.

MARKET FOR SECURITIES

Our common and preferred shares are wholly owned by Aliant and are not publicly traded. Our debentures, MTNs and first mortgage bonds were publicly issued and trade in the public bond market.

DIRECTORS AND OFFICERS

NAME, ADDRESS, OCCUPATION AND SECURITY HOLDING

Our directors and executive officers do not own any of our shares as we are 100% owned by Aliant. On March 29, 2006, our directors and executive officers as a group beneficially owned, directly or indirectly, or exercised control or direction over approximately 104,502 Aliant common shares.

Directors

Our directors are listed in the accompanying table. All directors hold office for one term at a time. The term of office is the time period between the annual meetings of shareholders of Aliant. We have the following standing committees: 1) Audit; 2) Corporate governance; 3) Human resources & compensation; 4) Investment; 5) Pension-defined benefit; and 6) Pension-defined contribution. We do not have an executive committee of the board of directors.

The name, board position, committee membership, province or state of residence and principal occupation for each of our directors as at March 29, 2006, appears below:

Name, position and committees	Principal Occupation	Province or State and Country	Director since
Miller H. Ayre, C.M. Corporate governance (chair), Human resources & compensation	Group Publisher, Transcontinental Atlantic Media Group GP and publisher of The Telegram (newspapers)	Newfoundland and Labrador, Canada	September 29, 1999
J. Charles Caty Human resources & compensation (chair), Investment	Corporate Director	Ontario, Canada	September 29, 1999
Robert P. Dexter, Q.C. Investment (chair), Audit	Chairman and Chief Executive Officer, Maritime Travel Inc. (travel)	Nova Scotia, Canada	September 29, 1999
Jay Forbes, F.C.A.	President and Chief Executive Officer, Aliant Inc. (telecommunications)	New Brunswick, Canada	April 19, 2002
Lawson Hunter Investment	Executive Vice-President and Chief Corporate Officer, BCE Inc. and Bell Canada (telecommunications)	Ontario, Canada	June 28, 2004
R. Terry Mosey Pension-defined benefit and Pension-defined contribution	Corporate Director	Ontario, Canada	December 15, 2003
Edward Reevey, F.C.A. Audit (chair), Pension-defined benefit (chair), Pension-defined contribution (chair)	Chairman and Chief Executive Officer, Addee Developments Limited and Edda Capital Inc. (private holding corporations)	New Brunswick, Canada	September 29, 1999
Karen Sheriff Corporate governance	President, Small and Medium Business, Bell Canada (telecommunications)	Ontario, Canada	June 28, 2004
Catherine Tait Audit, Corporate governance	President, Duopoly Inc. (independent production company)	New York, United States of America	April 20, 2001
Stephen G. Wetmore Human resources & compensation	Executive Vice-President of BCE Inc. and Group President Corporate Performance and National Markets for Bell Canada (telecommunications)	Ontario, Canada	September 29, 1999
Charles W. White Q.C. Board Chair, Audit, Corporate governance, Human resources & compensation, Pension-defined benefit, Pension-defined contribution, Investment	Lawyer, White Ottenheimer & Baker (Law firm)	Newfoundland and Labrador, Canada	September 29, 1999
Victor L. Young, Q.C. Audit and Corporate governance	Corporate Director	Newfoundland and Labrador, Canada	April 19, 2002

With the exception of the following individuals, all of the directors have been employed in the designated principal occupation for the preceding five years or have been engaged in different executive functions with their current employer or with one of its affiliates:

Mr. Mosey was executive vice-president of Bell Canada until his retirement in June 2005.

Mr. Hunter is executive vice-president and chief corporate officer of BCE Inc. and Bell Canada. Prior to this, he was a partner with the law firm Stikeman Elliott.

Ms. Tait is president of Duopoly Inc. Prior to this, she was president and chief operating officer of Salter Street Films from 1997 to 2001.

Mr. Young was chairman and chief executive officer of Fishery Products International Ltd. from November 1984 to May 2001.

For background information on Mr. Forbes please refer to the section titled "Officers" below.

Officers

The name, province of residence and principal occupation for each of our executive officers as at March 29, 2006, are as follows:

Jay Forbes, F.C.A.	President and Chief Executive Officer	NB Canada
Frank Fagan	Executive Vice President and Chief Operating Officer	NL Canada
Glen LeBlanc	Senior Vice President and Chief Financial Officer	NS Canada
Frederick P. Crooks, Q.C.	Senior Vice President, General Counsel and Corporate Secretary	NS Canada
David Rathbun	Senior Vice President Corporate and Chief Human Resources Officer	NS Canada
Paul Kent	Senior Vice President Enterprise Business Solutions and Chief Operating Officer xwave	NS Canada
Eleanor Marshall	Vice President and Treasurer	NB Canada
Gary Lund	Chief Technology Officer	NB Canada
Ivan Toner	Chief Information Officer	NS Canada
Helena Cain	Vice President Enterprise and Business Sales	NB Canada
Heather Tulk	Vice President Residential Markets	NS Canada
Charles Hartlen	Vice President Aliant Mobility	NS Canada
Catherine Rignanesa	Vice President Taxation Services	NB Canada

All of the officers of Aliant Telecom have held their present position or other executive positions with Aliant or one or more affiliated companies for the preceding five years with the exception of the following individuals:

Jay Forbes was appointed president and chief executive officer in March 2002. He joined as executive vice president and chief financial officer of Aliant and Aliant Telecom on February 19, 2001, from his role as executive vice president, corporate resources and chief financial officer of Oxford Properties Group Inc. Prior to this, he was chief financial officer and senior vice president of Emera Inc.

Glen LeBlanc was promoted to the position of senior vice president and chief financial officer on September 15, 2005. Mr. LeBlanc most recently served as Aliant and Aliant Telecom's vice president of

finance and controller, responsible for providing financial leadership and direction for all general accounting operations activities.

Eleanor Marshall was promoted to the position of vice president and treasurer on August 1, 2005. Previous to her current position, Mrs. Marshall was director of corporate finance responsible for investor relations, pensions and corporate finance.

Frederick Crooks joined Aliant and Aliant Telecom in the role of senior vice president, general counsel and corporate secretary on October 20, 2003, prior to which he was a partner with the law firm Cox Hanson O'Reilly Matheson in Halifax since 1985.

Prior to his appointment as an Aliant Telecom officer on January 26, 2005, Mr. Kent was senior vice president, Aliant Inc., and chief operating officer, xwave, as of October 6, 2003. Before joining Aliant, Mr. Kent was senior vice president and managing director for the strategic consulting unit of Fujitsu. Prior to that role, he held increasingly senior positions at Fujitsu. He has also held IT roles in several government organizations.

Catherina Rignanesi was promoted to the position of vice president taxation services on August 1, 2005. Previous to her current position, Mrs. Rignanesi was director of taxation services responsible for tax, risk management and insurance.

LEGAL PROCEEDINGS

This section describes important legal proceedings as of March 29, 2006. While we cannot predict the final outcome of the claims and litigation described below or any other pending claims and litigation at March 29, 2006, management believes that the resolution of these claims and litigation will not have a material and negative effect on our consolidated financial position or results of operations. None of the claims and litigation described below currently seeks from us payment of damages in an amount exceeding the threshold requiring disclosure in this AIF pursuant to Canadian securities laws.

Potential Saskatchewan Class Action

On August 9, 2004, a lawsuit was filed in the Saskatchewan Court of Queen's Bench against several Canadian wireless and cellular service providers, including Aliant Telecom. The suit is brought by several alleged customers or former customers of the defendants, who seek court permission to proceed by way of class action under the *Saskatchewan Class Actions Act*. The claim relates to certain system access fees that the defendants charge to their customers. In the claim, the plaintiffs allege, among other things, breach of contract, misrepresentation, negligence, collusion and breach of statutory obligations under the *Competition Act* (Canada) in relation to the system access fees, and seek unspecified damages, including punitive and exemplary damages. The certification hearing for the claim to proceed as a class action was completed in May 2005 but no decision has yet been filed. We have strong defences to this claim, but the outcome of the matter is not determinable at this time.

Ellph.com

On November 30, 2005, a lawsuit was filed against us in the Supreme Court of Nova Scotia by Ellph.com Solutions Inc. and Ellph.com Technologies Incorporated (Ellph) seeking approximately \$9 million for alleged breach of a software license contract. Our defence has been provided to Ellph's counsel but has not yet been filed with the court. The dispute arises out of a transaction in which Aliant Telecom proposed to acquire software from Ellph for provision to broadband customers. The initiative was cancelled due to what Aliant Telecom perceived as unresolved deficiencies with the software. We believe we have strong defences to this claim, but the outcome of the matter is not determinable at this time.

For information concerning significant legal contingencies outstanding as at December 31, 2005 are presented in note 20 to our consolidated financial statements for the year ended December 31, 2005.

TRANSFER AGENTS AND REGISTRARS

Classes	Medium Term Notes	Debentures	First Mortgage Bonds
Series:	Aliant Telecom: 6.65% Series 2 6.80% Series 4 5.35% Series 5 4.52% Series 6	Maritime Tel & Tel: 8.3% Series 2 9.7% Series 4 9.05% Series 5 NB Tel: 11.125% Series AA	Island Telecom: 10.60% Series T 11.15% Series U 9.77% Series V 8.76% Series W NewTel Communications: 10.75% Series T 11.40% Series V
Transfer Agent and Registrar:	CIBC Mellon Trust Company	Computershare Trust Company of Canada	Computershare Trust Company of Canada
Register Location(s):	Halifax, NS	Halifax, NS	Halifax, NS
Transfer Location(s):	Toronto, ON	Halifax, NS	Halifax, NS

MATERIAL CONTRACTS

Union Contracts

In September 2004, negotiations between Aliant Telecom and the Council of Atlantic Telecommunication Unions, then representing approximately 66% of Aliant Telecom's employees, resulted in a new collective agreement being reached with an effective date of January 1, 2002, and an expiry date of December 31, 2007. The agreement was reached with the assistance of the Federal Mediation Services after a 147 day strike, with employees returning to work on September 20, 2004. The new Collective Agreement incorporates annual increases in base wages, wage alignment, pension enhancements and increased flexibility in workforce management in areas such as contracting out, workplace change and workforce reduction.

ADDITIONAL INFORMATION

Additional disclosure as required under section 5.1 and Form 52-110F1 of Multilateral Instrument 52-110 *Audit Committees*, and under Form 51-102F2, Item 18 of National Instrument 51-102 *Continuous Disclosure Obligations*, is contained in Schedules 1, 2 and 3 of this AIF.

Additional financial information is available in our financial statements and management's discussion and analysis for the year ended December 31, 2005.

Additional information relating to our Company, including the AIF as well as our annual and quarterly reports, news releases and other continuous disclosure documents, are filed electronically through the System for Electronic Document Analysis and Retrieval and are available online at www.sedar.com.

In addition, quarterly reports, annual reports and supplementary information can be found under "financial reports" on our corporate website at www.aliant.ca.

SCHEDULE 1: AUDIT COMMITTEE INFORMATION

1. The Audit Committee's Charter

Aliant Telecom Inc.'s ("Aliant Telecom") board and board standing committees are the same as the board of directors and board of directors' standing committees of its parent, Aliant Inc. ("Aliant").

The Aliant Audit Committee (the "committee") charter is available in the governance section of Aliant's website at www.aliant.ca and attached as Schedule 2 to this AIF. Also included with Schedule 2 is a copy of the audit committee chair responsibilities, as outlined in Aliant's corporate governance manual, which documents the corporate governance principles and practices of the board and provides directors with information and guidance on the fiduciary and functional responsibilities of the board, its committees, and each director.

2. Composition of the Audit Committee

The committee is composed of the following five members: Edward Reevey (chair), Robert Dexter, Catherine Tait, Charles White and Victor Young. Each member of the committee is an external and independent director and is financially literate.

For the purposes of National Instrument 58-101 *Disclosure of Corporate Governance Practices* (NI 58-101), and Multilateral Instrument 52-110 *Audit Committees* (MI 52-110), a director is independent if he or she has no direct or indirect material relationship with the issuer. A "material relationship" means a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a director's independent judgment.

The Aliant board is responsible for determining whether a director is "independent" for the purposes of NI 58-101. In making this determination the board assesses whether a director has any material relationship with the Corporation or any of its affiliates which could reasonably interfere with the exercise of independent judgment. To assist with this determination, the board obtains information from directors as to their particular circumstances and relationships, including through an annual questionnaire completed by directors. The Canadian securities regulators have stipulated certain relationships which are deemed to affect independence. MI 52-110 stipulates that an audit committee member that sits on the board of directors of an affiliated entity is exempt from the requirement to be independent if the member, except for being a director of the issuer and the affiliated entity, is otherwise independent of the issuer and the affiliated entity.

Based on information provided to the board by individual directors, the board has concluded that each member of the committee is "independent" within the meaning of NI 58-101 and MI 52-110. Mr. Young also sits on the board of directors of BCE. He is considered an independent director. He is also exempt from the requirement that all audit committee members be independent because, except for being a director of both Aliant and BCE, he is otherwise independent of both companies, as outlined in subsection 3.3(1) of MI 52-110.

The responsibilities and duties of the committee are set out in the committee's charter, attached as Schedule 2 to this AIF.

3. Relevant Education and Experience

The following sets out the education and experience of each director relevant to the performance of his or her duties as a member of the committee.

Edward Reevey, F.C.A., is chair of the committee. Mr. Reevey is Chairman and chief executive officer of Addee Developments Limited and Edda Capital Inc., private holding companies. He holds a

Bachelor of Commerce from Dalhousie University and a Chartered Accountancy designation, and was awarded the F.C.A. designation in 1998. Mr. Reevey worked previously with Clarkson Gordon & Co. in Montreal from 1965 to 1968 and H.R. Doane & Co. in Saint John from 1968 to 1970. He was President of Autotec Inc. from 1970 to 1994.

Robert Dexter, Q.C., holds a Bachelor of Commerce and an LL.B. from Dalhousie University. He is Chairman and chief executive officer of Maritime Travel Inc. He is also a partner of the law firm Stewart McKelvey Stirling Scales.

Catherine Tait is President of Duopoly Inc., an independent film and television production company based in New York. Ms. Tait holds a Bachelor of Arts from the University of Toronto, a Master of Science from Boston University and a D.E.A. (diplôme d'études approfondies) from the University of Paris. From 1997 to 2001, Ms. Tait was President and chief operating officer of Salter Street Films, a publicly traded entertainment company based in Canada. Prior to Salter Street Films, Ms. Tait was Executive director of the Independent Feature Project in New York.

Charles W. White, Q.C., is a lawyer with the law firm White, Ottenheimer & Baker. His legal career in private practice spans over three decades, practicing principally in the area of corporate and commercial law. Mr. White holds a Bachelor of Commerce from Memorial University of Newfoundland and Labrador and an LL.B. from Dalhousie University.

Victor L. Young, Q.C., holds a Bachelor of Commerce from Memorial University of Newfoundland and a Master's Degree in Business Administration from the University of Western Ontario. Mr. Young is past Chairman and chief executive officer of Fishery Products International Limited. He also served as Deputy Minister of the Treasury Board and special advisor to the Premier of Newfoundland and Labrador, and was Chairman and chief executive officer of Newfoundland and Labrador Hydro.

4. Reliance on Certain Exemptions

Aliant has not relied on any of the exemptions in sections 2.4 (*De Minimis Non-audit Services*), 3.2 (*Initial Public Offerings*), 3.4 (*Events Outside Control of Member*), 3.5 (*Death, Disability or Resignation of Audit Committee Member*) or Part 8 (*Exemptions*) at any time since January 1, 2005.

5. Reliance on Exemption in Subsection 3.3(2) or Section 3.6

Aliant has not relied on the exemption in subsection 3.3(2) (*Controlled Companies*) or section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*) at any time since January 1, 2005.

6. Reliance on Section 3.8

Aliant has not relied on section 3.8 (*Acquisition of Financial Literacy*) at any time since January 1, 2005.

7. Audit Committee Oversight

At no time since January 1, 2005, has the board of directors not adopted a recommendation of the audit committee to nominate or compensate an external auditor.

8. Pre-Approval Policies and Procedures

In 2004, Aliant adopted a Pre-Approval Policy for audit and non-audit services. In compliance with MI 52-110, the Audit Committee of the board of directors is responsible for the appointment, compensation and oversight of the work of the external auditor. As part of this responsibility, the committee is required to provide specific or general pre-approval of any audit services. The committee is also required to provide specific pre-approval of any permissible non-audit services

performed by the external auditor in order to ensure that such services do not impair the auditor's independence from Aliant. Any services completed under the pre-approval guidelines must be reported to the committee at least quarterly for its review and final endorsement.

The key highlights of the Policy include:

- A quarterly review and approval of all services performed by the external auditors is required by the committee;
- Unless a type of service has received general pre-approval, it will require specific pre-approval by the committee;
- Any proposed services exceeding pre-approved levels will require specific approval by the committee; and
- Specific pre-approval will be required in relation to non-audit services provided by the external auditor.

9. External Auditor Service Fees (By Category)

Ernst & Young LLP has served as Aliant's auditing firm since April 1999. Fees payable for the years ended December 31, 2005 and 2004 are \$460,335 and \$439,220, respectively and are detailed below.

	<u>2005</u>	<u>2004</u>
Audit fees	\$417,335	\$386,460
Audit-related fees	\$43,000	\$52,760
Tax Fees	\$0	\$0
All Other Fees	\$0	\$0

Audit fees

These fees include professional services rendered by the external auditors for the review of the interim financial statements and statutory audits of the annual financial statements.

Audit-related fees

These fees include professional services that reasonably relate to the above services, including non-statutory audits, Sarbanes-Oxley Act initiatives, pension plan audits, consultations about financial accounting and reporting standards and French translation of quarterly and annual reports.

Tax fees

These fees include professional services for the attestation of compliance with our conflict of interest policy, tax compliance, tax advice, tax planning and advisory services.

SCHEDULE 2: TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

I. Purpose

The purpose of the Audit Committee (the "Committee") shall be to assist the board of directors in carrying out its responsibilities with respect to the integrity of the Corporation's financial reporting, adequacy of internal controls and appropriateness of accounting policies.

II. Composition and Term of Office

The Audit Committee shall consist of at least three (3) directors. All members of the Audit Committee shall be "independent" and "financially literate" in accordance with MI 52-110. A quorum shall consist of not less than two (2) members of the Committee.

Based on recommendations of the Corporate Governance Committee, the Audit Committee shall be appointed by the board at the organization meeting of the board following the annual meeting of shareholders and each member of the Committee shall serve until the next annual meeting of shareholders. If a vacancy subsequently occurs, the chairman of the board may appoint a new member to serve until the next annual meeting. The board shall appoint the chair of the Audit Committee and the corporate secretary or her/his authorized representative shall serve as secretary for the Committee.

III. Frequency of Regular Meetings

Regular meetings of the Committee shall occur at least four (4) times a year. The regular meetings of the Committee shall be called by the secretary of the Committee so as to allow the Committee to review the annual and interim consolidated financial statements of the Corporation prior to approval of the statements by the board and prior to the release of the annual report or the interim reports to shareholders, as the case may be.

IV. Special Meetings

The chair or any two members of the Committee may call a special meeting of the Committee. The secretary shall provide written notice of such special meetings and such notice must be delivered to the members of the Committee not less than seven (7) days prior to the date of such meeting and shall state the purpose for which such meeting is being called. The chair or secretary of the Committee shall call a special meeting of the Committee if requested to do so by the external auditor.

V. Attendance of Others at Committee Meetings

The Chairman of the board of directors, the Chief executive officer, the Chief financial officer (CFO), the Secretary, the Controller and the internal audit manager of the Corporation and the external auditor shall receive notice of all regular and special meetings of the Committee and all shall be entitled to attend such meetings subject to the right of the Committee to excuse any or all non-members of the Committee from the meeting or some part thereof. The CFO shall be required to attend all meetings unless excused. The external auditor shall be required to attend all meetings to approve quarterly financial materials unless excused. The Audit Committee shall meet privately with the external auditors without management present, at each regularly scheduled Audit Committee meeting.

VI. Objective and Responsibilities of the Committees

The objective of the Committee shall be to assist the board of directors in carrying out its responsibilities with respect to the integrity of the Corporation's financial reporting, adequacy of

internal controls and appropriateness of accounting policies.

The Committee shall be responsible for:

- A. the review of all financial statements, MD&A and earnings press releases of the Corporation, which require the approval of the board of directors. Financial statements and MD&A to be reviewed by the Committee include:
 - (i) year-end audited and interim unaudited consolidated financial statements and MD&A; and
 - (ii) any other set of financial statements which will be released to shareholders, other security holders or regulatory agencies and/or which will form part, either directly or by reference, of any prospectus, offering circular, information circular, AIF, or any legal filing.
- B. ensuring adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements (other than the Corporation's financial statements, MD&A and earnings press release) and must periodically assess the adequacy of those procedures.
- C. assuring that the financial statements of subsidiaries, upon which the financial statements of the Corporation are based, do not introduce any material uncertainty in the presentation of the Corporation's financial results and that the external auditors of these corporations have no reservations about the statements.

To this end, the Committee shall conduct such activities as:

- (i) periodically reviewing the financial statements of all subsidiaries; and
 - (ii) reviewing with the external auditors the results of their work with the external auditors of the subsidiary companies.
- D. the terms of the engagement and general oversight of the external auditor.
- This will generally include:
- (i) the scope of the external audit, the audit plan and the extent to which the audit can be relied upon to detect internal control weaknesses, fraud or other illegal acts;
 - (ii) the review of the fees charged for these and other special audit services;
 - (iii) the pre-approval of non-audit services provided by the external auditors to the Corporation or its subsidiaries;
 - (iv) the general confirmation that the services provided are of good quality and that management have no reservations about the quality or cost of same; and
 - (v) the provision of recommendations to the board on the appointment and re-appointment or dismissal of the external auditor as well as compensation of the external auditors.
- E. the review and approval of the Corporation's hiring policies regarding employees and former employees of the present and former external auditors of the Corporation.
- F. the scope of internal audit work being carried out in the Corporation.

The review will ascertain that the internal audit program is designed to detect any major areas of internal control weakness or any fraud or other illegal acts.

G. the nature of internal controls in major accounting and financial reporting systems.

The review will:

- (i) inquire as to major internal control weaknesses identified by the external and internal auditors and the effectiveness of management action taken to correct these problems;
- (ii) ensure that there are no unresolved issues between management and the external auditors that could affect the financial statements. To this end, the Committee will regularly meet privately with each of management, the internal auditor and the external auditors;
- (iii) include a specific review of controls to ensure compliance with financial covenants contained in trust deeds, prospectuses, security instruments or other significant financing agreements.

H. the accounting policies and practices.

I. the corporate code of ethics for senior financial executives as it relates to the integrity of financial reporting and to generally review controls to ensure compliance with the code .

J. establishing procedures for:

- (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters; and
- (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

K. the expenses of the board of directors and officers of the Corporation who report directly to the board and their use of Corporation assets and to comment to the board on the appropriateness of these expenses.

L. the conflict of interest guidelines and the review of controls used to ensure compliance.

M. ensuring that any corporate governance matters, which are brought to the Committee, be also referred to the Corporate Governance Committee of the board.

N. performing an annual self-assessment to consider the effectiveness of the Committee, and possible ways of improving the functioning of the Committee.

VII Reporting to the Board of Directors

The Committee shall report the results of its activities and its findings and its recommendations to the board of directors at the first meeting of the board following each Committee meeting.

Audit Committee Chair Responsibilities

- Develop the agenda for each meeting of the Audit Committee;
- Preside over Audit Committee meetings;
- Oversee the Audit Committee's compliance with its terms of reference;
- Work with management to develop the Audit Committee's annual work plan;
- Provide leadership in assessing the effectiveness of the internal control structure and procedures for financial reporting;
- Together with the CFO, evaluate the external auditor;
- Report regularly to the Board on the business of the Committee.

SCHEDULE 3

Additional Disclosure required under

Form 51-102F2 Item 18 -

“Additional Disclosure for Companies Not Sending Information Circulars”

This additional disclosure is provided in accordance with Form 51-102F2, Item 18. Any disclosure required under Form 51-102F2, Item 18 which is not contained in this Schedule is otherwise provided in the main portion of this AIF. Any terms defined in the main portion of this AIF are adopted in this Schedule.

Voting securities and principal holders thereof

As of March 29, 2006, there were 10,668,385 outstanding common shares of Aliant Telecom each entitled to one vote per share at meetings of common shareholders. To the knowledge of the directors and officers of the Corporation, the only person or corporation beneficially owning, directly or indirectly, or exercising control or direction over common shares of the Corporation is its parent company, Aliant, the beneficial owner of all the common shares.

Directors

The articles of the Corporation provide for a board of directors consisting of such number of persons, not less than one (1) and no more than nineteen (19), as may be determined by the directors from time to time. The board of directors currently consists of twelve (12) directors, each of whom hold office until the close of the next annual meeting of shareholders barring death or resignation. As of March 29, 2006, the twelve (12) persons listed in the “Directors and Officers” section in the main portion of this AIF were directors of the Corporation.

The Corporation's board and board standing committees are the same as the board of directors and board of directors standing committees of its parent, Aliant.

Aliant's board of directors standing committees comprise an audit committee, an investment committee, a human resources and compensation committee, a defined benefit pension investment committee, a defined contribution pension investment committee and a corporate governance committee. We do not have an executive committee of our board of directors.

Please see the “Directors and Officers” section of the main portion of this AIF for the name, board position, committee membership, province or state and country of residency, principal occupation and date of directorship appointment for each director of the Corporation.

Composition of the human resources and compensation committee and report on executive compensation

The human resources and compensation committee (referred to in this section as the “committee”) of the board administers the Aliant executive compensation program, which applies equally to all named executive officers of Aliant and Aliant Telecom.

The committee was formed on September 20, 1999, and is responsible for establishing and administering:

- (1) a plan of continuity for executives and other key employees;
- (2) a broad plan of executive compensation that will attract, retain and motivate executive management and other key employees;
- (3) a process for the annual performance review of executive management to allow recommendations for compensation; and
- (4) procedures for the review and oversight of benefit plans, perquisite arrangements, and enhancements to our deductions from employee pension plans.

The committee reviews and recommends to the board all base salary changes, short-term incentive compensation and mid-term and long-term incentive grants for the president and chief executive officer and the members of the executive team. The committee may invite the chief executive officer and the chief human resources officer to attend meetings to provide advice and consultation as required.

The committee consists of the following four directors, none of whom is employed by Aliant or Aliant Telecom and three of whom are independent: Charles Caty (*chair*), Miller Ayre, Charles White and Stephen Wetmore. Mr. Wetmore is executive vice-president of BCE and group president corporate performance and national markets for Bell Canada. Before joining Bell in 2002, Mr. Wetmore was president and CEO of Aliant.

Executive compensation components

ALIAN'T'S COMPENSATION PHILOSOPHY AND DIRECTION

Aliant's executive total compensation philosophy, established in 2000 and updated in 2002, is designed to meet the following objectives:

- attract and retain high performance executives;
- foster teamwork and innovation;
- motivate and reward superior performance; and
- align total compensation and shareholder returns.

Based on the strategy and with a view to fully aligning the interest of shareholders and the executive team, executive compensation also encompasses:

- share ownership guidelines for the executive team; and
- a performance share unit plan.

The compensation plan for the Aliant Telecom executives is determined mainly with reference to compensation for similar executive positions at comparable Canadian corporations. Compensation for the executives, including the chief executive officer, consists primarily of four main components:

- annual base salary;
- short-term incentive compensation - the target short-term incentive award ranges from 35 per cent to 75 per cent of the executive's annual base salary;
- mid-term incentive compensation - the target mid-term incentive award ranges from 20 per cent to 85 per cent of the executive's annual base salary; and
- long-term incentive compensation - the target long-term incentive award ranges from 20 per cent to 85 per cent of the executive's annual base salary.

The use of short-term, mid-term and long-term incentive compensation places a significant portion of each executive's total compensation at risk and rewards the executives for individual and corporate performance and the creation of sustained shareholder value. For instance, 70 per cent of the chief executive officer's potential compensation is at risk.

Compensation at risk linked to performance

Short-term		Mid and Long-term	
Compensation component	Short-term incentive plan (STIP)	Performance share unit plan	Stock option plan
Applies to	All non-unionized regular employees of Aliant	Executive and selected senior leaders	Executive and senior leaders
Performance period	1 year	3 years	Up to 10 years
Vesting period	1 year	3 years, contingent on the achievement of performance criteria	Vesting over three years from anniversary date of grant
Link to Company Performance	Based on corporate and/or business unit performance, as well as achievement of individual objectives that support the achievement of corporate strategy	Vesting is tied to Aliant's total shareholder return (TSR) relative to peer group	Based on the appreciation of Aliant's stock
		Payout reflects the value of Aliant's stock and reinvestment of notional dividends over the performance period	

To ensure that Aliant provides competitive compensation to its senior officers, the committee reviews information from external compensation advisors and the compensation practices at other comparable companies. In addition, the committee engages the services of an independent external consultant to provide advice and counsel on executive compensation matters.

Total compensation is targeted to be at the 50th percentile of the comparator groups listed below, if corporate or individual performance warrants.

Comparator group for executive compensation

Bell Canada	Sobeys Inc.	TELUS Corp.
Rogers Communications	Canadian Utilities	Transaltra Corp.
Rogers Wireless Communications	Shaw Communications	Emera Inc.
Allstream Inc.	Manitoba Telecom Services Inc.	Fortis Inc.
Call-Net Enterprises	FPI	CHC Helicopter

Annual base salary

Salaries are determined by evaluating the responsibilities of each executive's position as well as the executive's experience, knowledge and performance. Executive salaries are reviewed annually and adjusted, as appropriate based on individual performance, capabilities, responsibilities and

competitive market data. The compensation for executives is targeted to the median range of the Canadian corporations studied by the committee.

Compensation at risk

Short-term incentive compensation

The short-term incentive compensation plan provides an opportunity for executives to receive a competitive cash reward for the achievement of specific financial and non-financial targets. In 2003, a Balanced Scorecard approach was introduced and linked to short-term incentive compensation awards. The Balanced Scorecard promotes a closer alignment of the measures and targets used to assess employee performance with Aliant's and Aliant Telecom's strategic objectives. The Balanced Scorecard provides a structured framework for converting strategy through the use of performance measures in four perspectives; financial, customer, internal process and employee learning and growth. Performance targets for each executive reflect the individual's area of responsibility and ability to influence the corporate results through these four perspectives. No incentive compensation is payable where the corporate objectives are not achieved or where individual performance is not satisfactory.

Mid-term incentive compensation

The mid-term compensation program aligns and rewards executive performance with the growth and creation of shareholder value. Our program consists of a performance share unit plan ("PSUP").

Performance share unit plan

In 2003, Aliant established the PSUP for selected officers and senior management of Aliant and its subsidiaries to better align the long-term incentive compensation payout with total shareholder return. Aliant modified its long-term compensation plan, the value of which remained unchanged, by reducing the number of stock options by 50 per cent and replacing this with performance share units. Aliant also implemented share ownership guidelines.

Certain participants in the PSUP are required, within five years, to hold Aliant common shares and/or performance share units of a value that reflects their position and responsibilities. The table below outlines the ownership guidelines for the named executive officers who were employed with us as of December 31, 2005. Under the PSUP, share units are granted by the committee and each share unit represents the right to receive, for each vested share unit, one Aliant common share acquired in the secondary market or cash payment equal to the fair market value, subject to adjustment as indicated below depending on the achievement of performance criteria. In 2005, 47,088 share units were granted. Share units are subject to both time-based and performance-based vesting. Share units granted in 2005 will vest on November 30, 2007, subject to performance conditions. Grantees are also entitled to receive additional share units based on dividends paid on Aliant's common shares, with each grantee receiving additional share units equal to the number of share units held by the grantee multiplied by the dividend paid on an Aliant common share, divided by the fair market value of an Aliant common share on the dividend payment date. At the time of vesting, the number of Aliant shares (or equivalent value in cash) to which an executive officer may be entitled can range from zero to twice the original number of share units in the grant, depending upon actual performance against the predetermined performance conditions. The performance conditions consist of a comparison of Aliant's total shareholder return (share price appreciation plus reinvestment for dividends) compared to the total shareholder return for comparative groups of companies.

Share ownership guidelines table

Executive	\$ value	\$ value of holdings December 31, 2005¹
Jay Forbes	1,000,000	1,426,098
Frank Fagan	500,000	1,473,002
David Rathbun	250,000	492,613
Glen LeBlanc	250,000	319,711
Paul Kent	250,000	379,518

Notes:

1. Value of holdings includes the current market value of PSUPs which are subject to taxes upon payout.

Personal Performance Share Units

In 2005, a supplemental plan to the PSUP was created called the Personal Performance Share Unit Plan (PPSUP). Performance share units granted under the PSUP in 2004 were repurposed in 2005 to align to the growth and transformation strategy of Aliant. The repurposed grant of 2004, along with 92,573 additional PPSUP units granted in 2005, replaced the original PSUP corporate performance measures with challenging personal performance measures approved by the committee. All units granted under the supplemental plan will vest on November 30, 2006.

Performance Share Unit Plan Payout

Performance share units granted in 2003 vested on November 30, 2005. Attainment of the performance criteria for these units resulted in an 88 per cent payout for participants in the form of cash. The payout for the 2003 PSUP grant was calculated by multiplying the number of share units in each participants' account by the vesting rate of 88 per cent and the five day weighted average trading price of Aliant shares on the TSX at the end of the performance period.

Long-term incentive compensation

The long-term incentive compensation program aligns executive performance with the long-term growth in shareholder value. Aliant's program consists of a stock option plan ("SOP").

Stock option plan

Selected officers and senior management are eligible under the SOP. Share options are granted by the board based upon overall corporate performance and performance of the individual. Under the SOP, the board designates the key individuals to be granted options for the purchase of Aliant common shares and the number of options to be granted.

The option price is, unless otherwise determined by Aliant, the closing price of a trade of at least a board lot of Aliant common shares on the Toronto Stock Exchange (the "TSX") on the trading day preceding the date of the grant. Each option granted is for a period of 10 years and unless specified otherwise, the right to exercise options occurs in one-third increments on the first, second and third anniversary dates from the date of grant.

The number of Aliant common shares, which may be issued under options issued and outstanding pursuant to the SOP is limited to 6,500,000. However, the number of Aliant common shares to be issued pursuant to the SOP combined with the options outstanding under any other employee-related plan or granted to any one person shall not exceed 5% of Aliant's issued and outstanding shares.

In granting options, the committee takes into account the number of shares available for issuance pursuant to the SOP. However, the committee does not, on an individual basis, take into account the amounts and terms of outstanding options when determining whether and how many new option grants would be made to an employee.

Chief executive officer compensation

The components of total compensation for the chief executive officer are the same as those which apply to other senior executives of Aliant and Aliant Telecom - base salary, short-term incentive compensation, mid-term incentive compensation, long-term incentive compensation and benefits. Significant emphasis is placed on compensation that is at risk. For 2005, the pay mix is approximately 30 per cent base salary, 20 per cent short-term incentive compensation and 50 per cent mid-term and long-term incentive compensation. For the chief executive officer, 70 per cent of his total potential pay is at risk.

Base pay

Mercer Human Resources Consulting conducted a market review and analysis of compensation for the chief executive officer and other senior leaders of Aliant in 2005. Based upon recommendations from the review, and in recognition of Mr. Forbes's performance during 2004, the board approved a 10 per cent increase to base pay for a total base pay amount of \$590,000 for 2005.

Short-term incentive plan (STIP)

The short-term incentive plan for the chief executive officer is based upon the Balanced Scorecard approach. For 2005, the STIP was based on the following Balanced Scorecard measures and weightings:

2005 Balanced Scorecard measures for Jay Forbes	Weight	Actuals
Financial	40%	53.6%
Customer	30%	33.2%
Internal Process	20%	30.0%
Employee Learning and Growth	10%	7.5%

For 2005, the chief executive officer received a \$632,532 payout for achieving a result of 124.3 per cent of the Balanced Scorecard STIP performance targets. The payout was calculated by multiplying his 2005 annual salary by the STIP corporate performance percentage and a personal performance multiplier. Mr. Forbes received an "exceeds" performance rating for his contributions to the company in 2005. The personal performance multiplier used to calculate his short-term incentive payout was 1.15 per cent.

Other annual compensation

The annual compensation component of the chief executive officer's pay is composed of pension contributions and any other cash bonuses or awards.

Variable equity incentives

The chief executive officer was granted two types of variable equity compensation in 2005 - long-term incentive compensation in the form of stock options and mid-term incentive compensation in the form of performance share units. These awards are pay at risk based upon achievement of company and/or corporate performance goals. The value of the mid-term incentive is determined at the end of the performance period based upon the number of performance share units in the chief executive officer's account and the market price. Units granted under the performance share unit plan in 2003 vested in 2005 at 88 per cent resulting in a cash payout to Mr. Forbes of \$620,936 in 2005.

Performance graph

All of the issued and outstanding shares of the Corporation are beneficially held by Aliant and are not publicly traded. A performance graph is therefore not applicable.

Individual performance multipliers

To determine the actual awards payable under the short-term, mid-term and long-term incentive compensation components, corporate performance is measured and an individual performance multiplier is applied. The individual performance multiplier for the short-term incentive component ranges from 0 per cent to 150 per cent. The individual performance multiplier for the mid-term and long-term incentive compensation grants are 0 per cent, 80 per cent, 100 per cent and 120 per cent.

Report presented by the human resources and compensation committee.

Charles Caty (chair), Miller Ayre, Stephen Wetmore, Charles White

Compensation of officers

The summary compensation table below sets forth total compensation paid to Aliant Telecom's named executive officers for 2003, 2004 and 2005.

Summary compensation table

Name and principal position ¹	Year	Annual compensation			Long-term compensation at risk ⁴	Performance share units		
		Salary (\$)	Short-term incentive compensation ² (\$)	Other annual compensation ³ (\$)	Common shares under options granted ⁵	Granted	Payout ¹⁰ (\$)	All other compensation (\$)
Jay Forbes , President and chief executive officer	2005	581,800	632,532	0	89,166	22,784	620,936	95,881 ⁸
	2004	546,096	342,975	0	69,399	16,797		114,610 ⁸
	2003	524,615	600,000	0	50,095	21,370		52,462 ⁸
Frank Fagan , Executive vice-president and chief operating officer	2005	397,635	224,334	0	37,534	15,175	289,043	25,000 ⁷
	2004	397,885	163,625	0	29,159	7,058		25,000 ⁷
	2003	365,192	277,500	0	22,901	9,930		336,911 ⁷
Barry Kydd ⁹ , Executive vice-president and chief financial officer	2005	43,038	N/A	1,456,231	24,243	5,101	282,591	20,156 ⁸
	2004	378,615	158,525	58,883 ⁶	28,304	6,851		64,962 ⁸
	2003	358,981	271,000	78,496 ⁶	21,310	9,370		35,898 ⁸
David Rathbun , Senior vice-president, corporate and chief human resources officer	2005	294,796	184,815	0	10,846	10,732	139,677	23,135 ⁸
	2004	270,923	90,780	0	10,108	2,447		34,793 ⁸
	2003	258,269	164,000	0	7,952	4,667		20,662 ⁸
Paul Kent , Senior vice-president Aliant and chief operating officer Xwave Solutions Inc.	2005	247,634	108,225		7,637	8,854	17,596	34,196 ⁸
	2004	235,000	79,900		7,614	1,843		26,152 ⁸
	2003	235,000	22,000		2,076	637		5,400 ⁸

Glen LeBlanc, Senior vice- president and chief financial officer	2005	212,000	143,775		5,525	10,344	N/A	0
	2004	200,000	35,936		5,307	0		0
	2003	141,960	51,612		4,135	0		0
Wendy Paquette⁹, Senior vice- president customer service	2005	360,703	26,967	0	0	0	92,150	0
	2004	270,923	90,780	0	10,108	2,447		0
	2003	258,269	173,000	0	7,952	2,800		0

Notes:

1. Mr. Forbes joined Aliant as executive vice-president and chief financial officer in February 2001 and was appointed to the above noted office in March 2002. Mr. Fagan was president wireless services until his appointment as executive vice-president and chief operating officer in October 2002. Mr. Rathbun was appointed senior vice-president corporate and chief human resources officer in July 2002, prior to which he was chief human resources officer. Mr. LeBlanc was appointed senior vice-president and chief financial officer in September 2005, prior to which he was vice-president and controller. Paul Kent was appointed as Senior Vice President of Aliant and Chief Operating Officer of Xwave Solutions Inc. effective October 6, 2003.
2. All short-term incentive compensation shown is in respect of the results for the year earned.
3. Other benefits not disclosed do not exceed the lesser of \$50,000 and 10 per cent of the total of the annual salary and short-term incentive compensation for any of the named executive officers for the reporting period.
4. See section titled "Long-term incentive compensation".
5. See section titled "Stock option plan".
6. Mr. Kydd was reimbursed for certain costs associated with his relocation.
7. Mr. Fagan received special retention payments totalling \$25,000 in each of 2005 and 2004, and \$336,911 in 2003 to remain with Aliant.
8. Amounts include amounts contributed or accrued, excluding notional investment income thereon, pursuant to the executive defined contribution pension plans. See section titled "Retirement plans".
9. Barry Kydd resigned from Aliant on February 10, 2005. At the time of his departure he received a severance package as per his employment agreement. Wendy Paquette retired from Aliant on April 1, 2005; she will be paid on salary continuance until April 1, 2008.
10. Performance share units granted in 2003 vested on November 30, 2005. See section titled "Mid-term incentive compensation - *Performance share unit plan*".

Indebtedness of directors and senior officers

Aliant has a policy prohibiting loans to directors and officers of Aliant and its subsidiaries. In the financial year 2005, neither Aliant nor its subsidiaries have provided a guarantee, support agreement, letter of credit, or other similar arrangement or understanding with respect to the indebtedness of a director, executive officer, senior officer, proposed nominee for election as a director, or any associate of any such director, officer or proposed nominee. No director, executive officer or senior officer or proposed nominee for election as a director of Aliant or its subsidiaries or any person associated or affiliated with such directors, officers or proposed nominees for election as a director is indebted to Aliant or its subsidiaries.

Termination of employment, change in responsibilities and employment contracts

Pursuant to Mr. Forbes's employment agreement, should he be terminated without cause, Aliant shall provide the equivalent of 30 months cash compensation and all outstanding stock options and share units would be considered fully vested. Under employment agreements with Mr. Rathbun, Mr. LeBlanc and Mr. Kent, should they be terminated without cause, Aliant shall provide the equivalent of 24 months cash compensation to the terminated employee and all of their outstanding stock options and share units would be considered fully vested. Mr. Fagan has no employment agreement.

Long-term incentive compensation - awards in most recently completed financial year

Option grants during the most recently completed financial year

Name	Common shares under options granted ¹	Per cent of total options granted to employees in fiscal year	Exercise base price (\$/common security) ²	Market value of common shares underlying options on the date of grant (\$/security)	Expiration date of grant
Jay Forbes	89,166	18.5%	29.25	29.25	January 26, 2015
Frank Fagan	37,534	7.8%	29.25	29.25	January 26, 2015
Barry Kydd	24,243	5.0%	29.25	29.25	January 26, 2015
David Rathbun	10,846	2.3%	29.25	29.25	January 26, 2015
Paul Kent	7,637	1.6%	29.25	29.25	January 26, 2015
Glen LeBlanc	5,525	1.1%	29.25	29.25	January 26, 2015
Wendy Paquette	0	0.0%	29.25	29.25	January 26, 2015

Notes:

1. Each option granted under the SOP covers one common share of Aliant. The SOP is described in the section titled "Composition of the human resources and compensation committee and report on executive compensation".
2. The exercise price of the stock options outlined in this table is equal to the closing price of a trade of at least a board lot of Aliant common shares on the TSX on the trading day preceding the date of the grant.

Aggregated option exercises during the most recently completed financial year and financial year-end option values

Name	Securities acquired on exercise (#)	Aggregated value on exercise (\$)	Unexercised options (exercisable/unexercisable) (#)	Value of unexercised in-the-money options at year-end ¹ (exercisable/unexercisable) (\$)
Jay Forbes	0	0	161,051 / 152,130	276,015 / 215,753
Frank Fagan	0	0	106,237 / 64,607	435,351 / 93,307
Barry Kydd	0	0	93,857/0	186,585 / 0
David Rathbun	0	0	66,826 / 20,236	248,662 / 28,792
Paul Kent	0	0	3,922 / 13,405	208 / 12,705
Glen LeBlanc	0	0	11,311 / 10,441	20,566 / 14,780
Wendy Paquette	0	0	76,422 / 9,390	248,543 / 10,896

Notes:

1. Based on \$30.90 per common share, which was the closing price on the TSX on December 31, 2005.

Performance share unit awards

Performance Share Units						
Name and principal position	Year of grant	Units granted	Additional units earned	Total units as at December 31, 2005	Year of maturity	Payout Amount
Jay Forbes , President and chief executive officer	2005	18,761 ¹	786	19,547	2007	
		4,023 ²	126	4,149	2006	
	2004	16,797	1,409	18,206	2006	
	2003	21,370	2,403	0	2005	\$620,936
Frank Fagan , Executive vice president and chief operating officer	2005	7,897 ¹	331	8,228	2007	
		7,278 ²	228	7,506	2006	
	2004	7,058	592	7,650	2006	
	2003	9,930	1,116	00	2005	\$282,591
Barry Kydd , Executive vice president and chief financial officer	2005	5,101 ¹	0	0	--	--
	2004	6,851	667	0	--	--
	2003	9,370	340	0	--	--
David Rathbun , Senior vice president and chief human resources officer	2005	2,282 ¹	96	2,378	2007	
		8,450 ²	265	8,715	2006	
	2004	2,447	205	2,652	2006	---
	2003	4,667	525	0	2005	\$139,677
Paul Kent , Senior vice president Aliant and chief operating officer Xwave	2005	1,607 ¹	67	1,674	2007	
		7,247 ²	227	7,474	2006	
	2004	1,843	155	1,998	2006	--
	2003	637	0	690	2005	\$17,596
Glen LeBlanc , Senior vice president and chief financial officer	2005	1,162 ¹	49	1,211	2007	
		9,184 ²	115	9,299	2006	
	2004	0	0	0	--	--
	2003	0	0	0	--	--

Wendy Paquette , Senior vice president Customer service	2005	0	0	0	--	--
	2004	2,447	0	0	--	--
	2003	2,800	0	0	--	\$92,150

Notes:

1. Amounts represent the number of share units granted in January 2005. These share units are subject to both time-based and performance-based vesting. The number of shares (or the equivalent in cash) to which an executive officer may be entitled at the time of vesting can range from zero to twice the original number of share units in the grant, depending upon actual performance against the predetermined performance conditions. The performance conditions consist of a comparison of our total shareholder return (share price appreciation plus reinvestment for dividends) compared to the total shareholder return for comparative groups of companies. If Aliant experiences negative total shareholder return, payouts are reduced. See section titled, "Performance share unit plan".
2. Amounts represent number of share units granted in 2005 under the personal performance share unit plan. The number of shares (or the equivalent in cash) to which the executive officer may be entitled at the time of vesting can range from zero to one hundred and fifteen percent, depending upon the actual performance against the predetermined personal performance conditions. The personal performance conditions are growth and transformation goals for Aliant. Units from this grant will vest November 30, 2006.

Retirement plans

The amounts disclosed below as the approximate values of retirement plan obligations accrued as of December 31, 2005, the costs incurred during 2005 and the amounts payable upon retirement of the named executives are all based on assumptions and contractual entitlements, which may change over time. The major assumptions used in making these estimates are consistent with those used to value all of our post-employment benefit obligations and are disclosed in note 6 of our consolidated financial statements for the year ended December 31, 2005.

JAY FORBES AND PAUL KENT

Mr. Forbes became a member of Aliant's executive retirement plan as of his date of hire, February 19, 2001. Mr. Kent became a member of the same plan on his date of hire, October 6, 2003. The plan is a non-contributory defined contribution retirement plan with Aliant contributing 10 per cent of pensionable earnings. Effective December 1, 2005, Aliant's contribution rate was increased to 15 per cent of pensionable earnings. Pensionable earnings include salary and short-term incentive payments but do not include long term incentive or share amounts reported in the summary compensation table. Aliant's contributions up to the personal income tax limit are made to a registered retirement savings plan and contributions in excess of the income tax limit are accrued and tracked in a notional account, for each executive. The maximum contribution that could be made to registered retirement savings plans for 2005 was \$16,500. The total amount accrued as of December 31, 2005, for payment to Mr. Forbes upon his retirement is approximately \$356,000, and for Mr. Kent is approximately \$37,900. The total cost of retirement plan contributions, including notional investment income attributable to 2005 service for Mr. Forbes was approximately \$130,000 and for Mr. Kent was approximately \$37,000.

DAVID RATHBUN

Mr. Rathbun participates in the Aliant Registered Pension Plan (Defined Contribution) and the supplementary executive pension plan. The pension plan, as it applies to Mr. Rathbun, is a defined contribution plan under which he contributes 2 per cent of pensionable earnings and Aliant contributes 6 per cent. The combined contributions are made to the registered pension plan up to the income tax limit (\$18,000 in 2005) and to a notional account for contributions above that limit.

Mr. Rathbun also participates in a supplementary defined benefit pension plan that provides an annual pension of 1.5 per cent times his best 36 consecutive months' average pensionable earnings for each year of credited service (to a maximum of 75 per cent of such earnings). Pensionable earnings include salary, short-term incentive payments and perquisites received by the named executive officer but do not include long-term incentive or share amounts reported in the summary compensation table. At age 65, the pension benefit is reduced to reflect benefits from the Canada Pension Plan. At December 31, 2005, Mr. Rathbun had 8.1 credited years of service. The plan provides a survivor pension equal to 66.67 per cent of the executive's pension benefit. The amount accrued under the supplementary pension plan and notional accounts as of December 31, 2005, related to Mr. Rathbun is approximately \$771,000. The total cost of retirement plan contributions attributable to Mr. Rathbun's 2005 service was approximately \$103,000, including notional investment income.

The following table illustrates the estimated annual pension benefits payable to Mr. Rathbun at retirement from the supplementary defined benefit pension plan, based on specified compensation levels and credited years of service:

Pension plan table (in dollars)

Remuneration	Credited years of service			
	10	20	30	40
200,000	27,945	55,890	83,835	111,780
300,000	42,945	85,890	128,835	171,780
400,000	57,945	115,890	173,835	231,780
500,000	72,945	145,890	218,835	291,780
600,000	87,945	175,890	263,835	351,780
700,000	102,945	205,890	308,835	411,780
800,000	117,945	235,890	353,835	471,780
900,000	132,945	265,890	398,835	531,780

Mr. Rathbun is also entitled to a pension enhancement resulting from a 2001 retention bonus. This bonus was used to ensure continuity of leadership following the merger of Aliant's predecessor corporations and named executives were entitled to compensation if they remained with Aliant until June 1, 2001. Prior to becoming eligible for the bonus, Mr. Rathbun elected to take the balance of the retention bonus as a pension enhancement. The total amount accrued with interest for Mr. Rathbun as of December 31, 2005 is \$261,000 and the estimated annual benefit payable at normal retirement (age 60) is \$28,000.

GLEN LEBLANC

Mr. LeBlanc participates in a defined benefit registered pension plan and a supplementary retirement plan. The plans provide an annual pension of 1.5 per cent of his best 60 consecutive months' average pensionable earnings for each credited year of service before 2005, plus 1.7 per cent of his best 36 consecutive months' average pensionable earnings for each credited year of service in or after 2005. Pensionable earnings include salary and short-term incentive payments but do not include long term incentive or share amounts reported in the summary compensation table. At age 65, the pension

benefit is reduced to reflect benefits from the Canada Pension Plan. At December 31, 2005, Mr. LeBlanc had 11.28 credited years of service before 2005 and 1.0 credited years of service in 2005. The plan provides a survivor pension equal to 66.67 per cent of Mr. LeBlanc's pension benefit. The total amount accrued for Mr. LeBlanc under the plans as of December 31, 2005, is approximately \$469,000. The total cost of the plans attributable to Mr. LeBlanc's 2005 service was approximately \$33,000.

The following table illustrates the estimated annual pension benefits payable to Mr. LeBlanc at retirement from the supplementary defined benefit pension plan, based on specified compensation levels and credited years of service:

Pension plan table (in dollars)

Remuneration	Credited years of service			
	10	20	30	40
200,000	34,000	68,000	102,000	136,000
300,000	51,000	102,000	153,000	204,000
400,000	68,000	136,000	204,000	272,000
500,000	95,000	170,000	255,000	340,000
600,000	102,000	204,000	306,000	408,000
700,000	119,000	238,000	357,000	476,000
800,000	136,000	272,000	408,000	544,000
900,000	153,000	306,000	459,000	612,000

BARRY KYDD

Mr. Kydd became a member of our executive retirement plan as of his date of hire, July 22, 2002, and participated in that plan until he terminated his employment effective February 11, 2005. The plan is a non-contributory defined contribution retirement plan and Aliant contributed 10 per cent of pensionable earnings. Pensionable earnings include salary and short-term incentive payments but do not include long-term incentive or share amounts reported in the summary compensation table. Contributions up to the personal income tax limits were made to a registered retirement savings plan and contributions in excess of the income tax limit were accrued and tracked in a notional account. The maximum contribution that could be made to registered retirement savings plans for 2005 was \$16,500. The total amount accrued as of February 11, 2005, for payment to Mr. Kydd was approximately \$96,000. The total cost of retirement plan contributions, including notional investment income attributable to 2005 service for Mr. Kydd was approximately \$20,100.

FRANK FAGAN AND WENDY PAQUETTE

The following table illustrates the estimated annual pension benefits payable to Mr. Fagan and Ms. Paquette, who are members of a defined benefit pension plan, at retirement based on specified compensation levels and credited years of service:

Pension plan table (in dollars)

Remuneration	Credited years of service			
	10	20	30	40
200,000	37,945	75,890	113,835	150,000
300,000	57,945	115,890	173,835	225,000
400,000	77,945	155,890	233,835	300,000
500,000	97,945	195,890	293,835	375,000
600,000	117,945	235,890	353,835	450,000
700,000	137,945	275,890	413,835	525,000
800,000	157,945	315,890	473,835	600,000
900,000	177,945	355,890	533,835	675,000

Frank Fagan

Mr. Fagan participates in the Aliant Defined Benefit Pension Plan (Newfoundland) and the supplementary executive retirement plan. Collectively, the plans provide an annual pension per credited year of service of 1.5 per cent times the best average 36 consecutive months of pensionable earnings, to a maximum of 70 per cent of such earnings. Pensionable earnings include salary, short term incentives and other benefits received by Mr. Fagan, but do not include long term incentive or share amounts reported in the summary compensation table. At age 65, the pension benefit is reduced to reflect benefits payable from the Canada Pension Plan. The plan provides for an additional half-year service for each year of service as a senior officer. At December 31, 2005, Mr. Fagan had 57.0 credited years of service. Mr. Fagan has reached the highest pension percentage and will receive a pension equal to 70 per cent of the best average 36 consecutive months of pensionable earnings. The plans provide a survivor pension equal to 66.67 per cent of Mr. Fagan's pension benefit. At retirement, the supplemental plan provides for a lump-sum payment equal to 12 months of compensation. The total amount accrued under the registered pension plan and the supplementary pension plan as of December 31, 2005, related to Mr. Fagan is approximately \$7,438,000. The total cost of retirement plans attributable to Mr. Fagan's 2005 service was zero as he has reached the highest pension percentage.

Wendy Paquette

Ms. Paquette participates in the Aliant Pension Plan (Nova Scotia), a defined benefit plan, and the supplementary executive retirement plan. On April 1, 2005, she started a period of retirement leave. Ms. Paquette will retire on April 1, 2008, when the plans will provide a pension of \$225,000 per year. Collectively, the plans provide an annual pension per credited year of service of 1.5 per cent times the best average 36 consecutive months of pensionable earnings, to a maximum of 75 per cent of such earnings. If Ms. Paquette retires at or after age 55, the pension rate is increased from 1.5 per cent to 2.0 per cent. Ms. Paquette will be retiring after age 55. At December 31, 2005, Ms. Paquette had 23.9 credited years of service. Pensionable earnings include salary, short term incentives and other benefits received by the named executive officer but did not include the long term incentive or share amounts reported in the summary compensation table. At age 65, the pension benefit is reduced to reflect benefits payable from the Canada Pension Plan. The pension benefits described above include any benefits payable as a result of Ms. Paquette's participation in the defined contribution portion of the

pension plan, to which she was required to contribute 2 per cent of pensionable earnings. The plans provide a survivor pension equal to 66.67 per cent of Ms. Paquette's pension benefit. The total amount accrued under the registered pension plan and the supplementary pension plan as of December 31, 2005, related to Ms. Paquette is approximately \$3,748,000. The total cost of retirement plans attributable to Ms. Paquette's 2005 service was zero as the cost of her pension was fully accrued at the commencement of her retirement leave.

Compensation of directors

The directors of Aliant Telecom are also directors of Aliant. These directors receive compensation from Aliant and do not receive separate compensation for their services as directors of Aliant Telecom.

Directors are compensated by Aliant on the basis of annual retainers and meeting fees. Directors who are employed by Aliant, its subsidiaries, BCE or Bell Canada do not receive such compensation. In the case of directors employed by BCE or Bell Canada compensation is paid to Bell Canada. Mr. Young is a member of the board of directors of BCE but is not an employee of BCE and therefore is eligible to receive compensation from Aliant. Mr. Mosey retired from his employment with BCE and Bell Canada effective June 1, 2005, and since that date has been eligible to receive compensation from Aliant. The annual retainer for each eligible director is \$35,000, all of which is deferred to the share unit plan for non-employee directors (referred to in this section as the "share unit plan") and converted to share units. In addition to the board retainer, the chair of the audit committee receives an annual retainer of \$22,000. Other committee chairs receive an additional annual retainer of \$7,000, and committee members receive an additional annual retainer of \$3,000. The chair of each committee receives the committee member retainer in addition to the committee chair retainer. The meeting fee for each board and committee meeting is \$1,500. The chair of the board of directors is compensated on the basis of an annual retainer of \$200,000 with a minimum of \$100,000 deferred to the share unit plan. The chair does not receive meeting fees for board and committee meetings. Non-employee members of the board are also reimbursed for travel and other out of pocket expenses incurred as a result of attending board and committee meetings.

The share unit plan was designed and implemented solely for members of the board of directors who are not employees of Aliant or its subsidiaries, BCE or Bell Canada. The share unit plan is intended to enhance our ability to attract and retain high-quality individuals to serve as members of the board and to promote a greater alignment of interests between non-employee members of the board and our shareholders. Eligible directors and the chair may elect to defer to the share unit plan any portion of their fees over and above the minimum deferred amounts of \$35,000 and \$100,000 for directors and the chair, respectively. At the end of each quarter, fees thus deferred are divided by the market value of an Aliant common share and converted to share units. Dividends on share units are credited to each director's share unit plan account in the form of additional share units. Upon termination of board service, the directors receive the cash equivalent value of the number of share units then recorded in the director's share unit plan account based on the market value of an Aliant common share at that time.

Share ownership requirements

Directors are required to own 3,000 Aliant common shares or 3,000 share units under the share unit plan or a combination of both within three years following their appointment. Directors who are employed by Aliant, its subsidiaries, BCE or Bell Canada do not receive compensation for their participation on the Aliant board. In the case of Directors employed by BCE or Bell Canada, compensation is paid to Bell Canada. Those employees are therefore not required to own shares of Aliant and do not participate in the share unit plan. For the threshold ownership requirements applicable to Mr. Forbes, who is an internal director, see table on ownership guidelines under "Composition of the human resources and compensation committee and report on executive compensation".

Directors' and officers' liability insurance

The directors and officers of Aliant and its subsidiaries benefit from a group directors and officers liability policy with limits of US\$200 million purchased through the BCE group insurance program for the protection of all directors and officers of BCE and subsidiary corporations against liability incurred by them in their capacity as directors and officers.

In 2005, the amount of premium including premium taxes paid by the Aliant group for participatory coverage in respect of directors and officers was CAD\$427,440. Where we grant indemnification to the directors and officers, the deductible is US\$1 million for Aliant. When Aliant does not indemnify the directors and officers, there is no deductible applicable to payments made on their behalf.

Auditors of the Corporation

The auditors of the Corporation are Ernst and Young, who were first appointed by the Corporation on September 29, 1999.