



**Bell Aliant Regional Communications Holdings,
Limited Partnership**

**ANNUAL INFORMATION FORM
for the year ended December 31, 2006**

March 28, 2007

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GENERAL MATTERS

Throughout this Annual Information Form (**AIF**), “we”, “us”, “our” and “Bell Aliant Holdings LP” refer to Bell Aliant Regional Communications Holdings, Limited Partnership and its subsidiaries. Throughout this AIF, the term “Aliant” refers to the former Aliant Inc. and its subsidiaries.

On July 7, 2006, the Plan of Arrangement (the **Arrangement**) of Aliant Inc. (**Aliant**) was completed, combining Aliant’s wireline telecommunications operation in Atlantic Canada, information technology operation and other related operations with Bell Canada’s wireline telecommunications operation in certain of its regional territories in Ontario and Québec (the **Bell Aliant Business**) and Bell Canada’s 63.4 per cent indirect interest in NorthernTel, Limited Partnership (**NorthernTel LP**) and Télébec, Limited Partnership (**Télébec LP**) (Télébec LP and NorthernTel LP together the **Bell Nordiq Partnerships**). As a result of the Arrangement, Bell Aliant Regional Communications Income Fund (the **Fund**) indirectly owns an 81.5 per cent non-controlling equity interest in us.

We consolidate the operations of (i) Bell Aliant Regional Communications, Limited Partnership (**Bell Aliant LP**), which carries on the Bell Aliant Business, (ii) the Bell Nordiq Partnerships and (iii) other subsidiary partnerships and corporations. We are a reporting issuer under securities laws in each province of Canada. The Fund is also a reporting issuer under Canadian provincial securities laws, and its annual information form, financial statements, management’s discussion and analysis and other continuous disclosure documents are posted on the SEDAR website of the Canadian securities administrators (www.sedar.com). Under the policies of the Canadian securities administrators, our financial statements and management’s discussion and analysis will also be posted on the SEDAR website under the Fund’s SEDAR profile. Bell Aliant LP is also a reporting issuer, but Bell Aliant LP has obtained exemptive relief whereby it may satisfy certain of its continuous disclosure obligations under Canadian provincial securities laws by simultaneously filing, under Bell Aliant LP’s SEDAR profile, among other things, copies of continuous disclosure documents we are required to file under Canadian provincial securities laws. For information about the Fund, readers are referred to the consolidated financial statements and other continuous disclosure documents of the Fund.

The information contained in this AIF is dated as of March 28, 2007, unless otherwise indicated. Bell Aliant Holdings LP’s financial information is derived from our audited consolidated financial statements as at and for the year ended December 31, 2006. Unless otherwise indicated, all amounts are expressed in Canadian dollars and references to “\$” are to Canadian dollars.

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements concerning anticipated future events, results, circumstances and expectations. These statements are based on current expectations and estimates about the markets in which we operate and management’s beliefs and assumptions regarding these markets. Unless otherwise indicated, forward-looking statements in this AIF describe our expectations at the date hereof. In some cases, forward-looking statements may be identified by words such as “anticipate”, “believe”, “could”, “expect”, “plan”, “seek”, “may”, “intend”, “will” and similar expressions. These statements are subject to important risks and uncertainties, which are difficult to predict, and assumptions, which may prove to be inaccurate. Some of the factors which could cause results or events to differ materially from current expectations include but are not limited to: our ability to achieve strategies and plans; general economic conditions; increasing competition; changing regulations; reliance on systems; changing technology; required operating and capital expenditures; demand for services; our relationship with BCE Inc. (**BCE**) and Bell Canada and the allocation of business opportunities; pension plan funding; liquidity risk; leverage and restrictive covenants; BCE’s governance rights; reliance on key personnel and labour relations; and legal contingencies and changes in laws. Some of these factors are largely beyond our control. Should any factor affect us in an unexpected manner, or should assumptions underlying the forward-looking statements prove incorrect, the actual results or events may differ materially from the results or events predicted. Unless otherwise indicated, 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. Except as specifically identified by us, 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. All of the forward-looking statements made in this document and the documents referred to within are qualified by these cautionary statements. 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 us. Readers should not place undue reliance on any forward-looking statements. Please see the "Risk Factors" section for a further discussion of factors that may affect actual results.

Assumptions Made in the Preparation of Forward-Looking Statements

A number of factors and assumptions were applied or made by Bell Aliant Holdings LP in preparing forward-looking statements and in describing the risks that affect our business. The reader should note that factors and assumptions applied or made in the preparation of this AIF, although considered reasonable by us 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.

Economic Assumptions

Our forward looking statements are based on various assumptions concerning the Canadian economy, and specifically the economies of the regions in Canada where we operate, namely Ontario, Québec, and the Atlantic Provinces. First, we assume that Canadian gross domestic product (**GDP**) growth in 2007 will be essentially in line with GDP growth in 2006, consistent with estimates by the Conference Board of Canada. We also assume that the general level of interest rates and the inflation rate will remain stable around current levels. For this purpose current levels are indicated by the approximate 4 per cent interest rate on Government of Canada 5-year bonds and the approximate 1 to 2 per cent growth rate of the Consumer Price Index.

Market Assumptions

Our forward looking statements also reflect various assumptions about the markets in which we operate. First, we assume growth in overall Canadian telecommunications revenues will be in line with general GDP growth. Second, we assume that our market share of the consumer voice telecommunications market will continue to decrease in the near term due to the expansion of existing competitors and entrance of new competitors, particularly cable companies, and broad industry trends such as wireless and Voice over Internet Protocol (**VoIP**) substitution. Finally, we assume that the 2007 revenue growth rates of the Canadian information technology (**IT**) industry will be in line with 2006 and that the 2007 revenue growth rate of the Canadian Internet market will be slightly lower than 2006.

Financial and Operational Assumptions

The financial and operational assumptions we make for Bell Aliant Holdings LP apply across all of our operation segments, including the Bell Nordiq Partnerships, on a consolidated basis.

Revenue growth estimates for 2007 are based upon an assumption of increasing average revenue per customer (**ARPC**) across various lines of service. Also, we have assumed that the percentage of residential households in our territory that will have access to a competing cable telephony offering will increase in the near and medium term.

We anticipate being able to offset local revenue declines, and continued long-distance revenue declines, with growth from Internet, IT, Internet Protocol television (**IPTV**) and other revenues, although these each have lower contribution to earning before interest, taxes, depreciation and amortization (**EBITDA**) margins than the voice telecommunications revenues. We anticipate being able to generate operating cost savings through productivity measures and synergies of \$75 million to \$85 million to offset the negative margin impact and other expense pressures from normal inflationary growth.

Pension deficit funding for our defined benefit (**DB**) pension plans for 2007 will be in the range of \$40 million to \$50 million and this will be funded out of cash reserves or borrowing. The funding of current service costs for our DB plans and our defined contribution (**DC**) plans and the funding of other post employment benefits (**OPEBs**) are a component of distributable cash and are estimated to be higher in 2007 compared to 2006, primarily reflective of a maturing DB and OPEBs beneficiary group and general

salary increases. The expectations we have stated here are based on our anticipation of the outcome of December 31, 2006 actuarial reviews, which are expected to be complete by mid-2007. Interest expense for 2007 reflects our anticipation of being able to refinance our existing bank term facilities and short-term financing through issuing longer-term fixed rate debt in the Canadian public market at spreads over current Government of Canada interest rates that are indicative of the current spreads on our outstanding 5 and 10-year bonds, adjusted for issue term. The normalized level of cash capital taxes, estimated at \$7 million for 2007, reflects a stable capital base and the future enactment of all previously announced provincial capital tax rate reductions or eliminations by the provinces of Ontario, Québec, New Brunswick and Nova Scotia. Our capital expenditures will be made as required to support our existing infrastructure and to advance our strategic initiatives. We anticipate that a normal level of capital intensity for 2007 will be in the range of 15 to 15.5 per cent of revenues. In addition, we ended 2006 with cash balances of approximately \$139 million and will use \$35 million to \$45 million of those funds to accelerate our investment in “fibre to the node” (FTTN) in our network, which will improve Internet speeds and enable the expansion of our IPTV footprint.

NON-GAAP FINANCIAL MEASURES

In addition to using financial measures prescribed by Canadian generally accepted accounting principles (GAAP), certain non-GAAP financial measures and other terms are used in this AIF. The terms pro forma operating revenues, operating income, pro forma operating income, EBITDA, pro forma EBITDA, and distributable cash do not have any standardized meanings prescribed by Canadian GAAP. They are therefore unlikely to be comparable to similar measures presented by other companies.

Pro forma operating revenues, operating income and pro forma operating income

Operating income represents operating revenues less expenses. We use operating income, among other measures, to assess the operating performance of our ongoing business.

Pro forma operating revenues and pro forma operating income represent operating revenues and operating income adjusted to reflect the pro forma historical results of the operations related to the net assets bought and sold under the Arrangement had it occurred on January 1, 2005. Therefore, pro forma operating revenues and pro forma operating income represent operating revenues or operating income of the predecessor company, Aliant, excluding operating revenues or operating income related to Aliant’s wireless operations and DownEast Ltd. and including operating revenues or operating income related to Bell Canada’s regional wireline operations and the Bell Nordiq Partnerships.

We use pro forma operating revenues and pro forma operating income, among other measures, to assess the operating performance of Bell Aliant Holdings LP had it been in existence since January 1, 2005, which allows us to compare our operating performance on a consistent basis. We believe that certain investors and analysts use pro forma operating revenues and pro forma operating income to measure our ability to grow, or as a common valuation measurement in the telecommunications industry.

Pro forma operating revenues, operating income and pro forma operating income should not be confused with operating revenues or expenses, which are the most comparable Canadian GAAP financial measures.

The table below reconciles operating revenues to pro forma operating revenues, operating revenues and expenses to operating income and operating income to pro forma operating income on a consolidated basis:

<i>For the period ended December 31</i> <i>(millions of dollars)</i>	Twelve Months	
	2006	2005
Operating revenues	\$2,741.3	\$2,081.0
Add (less):		
Aliant Wireless Operations and DownEast Ltd.	(194.3)	(347.3)
Bell Canada Regional Wireline Operation	623.4	1,220.9
Bell Nordiq Group Inc.	189.3	359.3
Intercompany eliminations	(3.5)	(6.5)
Pro forma operating revenues	\$3,356.2	\$3,307.4
Operating revenues	\$2,741.3	\$2,081.0
Expenses	2,157.3	1,689.0
Operating income	\$584.0	\$392.0
Add (less):		
Aliant Wireless Operations and DownEast Ltd.	(94.7)	(167.3)
Bell Canada Regional Wireline Operation	215.3	416.6
Bell Nordiq Group Inc.	61.2	119.2
Pro forma operating income	\$765.8	\$760.5

EBITDA and pro forma EBITDA

We define EBITDA as operating revenues less operating expenses, which means it represents operating income before depreciation and amortization expense, net benefit plans cost, and restructuring and other charges. Pro forma EBITDA represents EBITDA adjusted to reflect the pro forma historical results of the operations related to the net assets bought and sold under the Arrangement had it occurred on January 1, 2005. Therefore, pro forma EBITDA represents EBITDA of the predecessor company, Aliant, excluding EBITDA related to Aliant's wireless operations and DownEast Ltd. and including EBITDA related to Bell Canada's regional wireline operations and the Bell Nordiq Partnerships.

The following table is a reconciliation of operating income to EBITDA and EBITDA to pro forma EBITDA on a consolidated basis:

<i>For the period ended December 31</i> <i>(millions of dollars)</i>	Twelve Months	
	2006	2005
Operating income	\$584.0	\$392.0
Add:		
Depreciation and amortization	483.9	390.8
Net benefit plans cost	101.1	95.5
Restructuring and other charges	13.2	-
EBITDA	1,182.2	878.3
Add (less):		
Aliant Wireless Operations and DownEast Ltd.	(120.5)	(214.5)
Bell Canada Regional Wireline Operation	327.1	633.7
Bell Nordiq Group Inc.	92.6	177.5
Pro forma EBITDA	\$1,481.4	\$1,475.0

We use EBITDA, among other measures, to assess the operating performance of our ongoing businesses without the effects of depreciation and amortization expense, net benefits plans cost, and restructuring and other charges. We exclude depreciation and amortization expense and net benefits

plans cost because they largely depend on the accounting methods and assumptions a company uses, as well as non-operating factors, such as the historical cost of capital investments and the fund performance of a company's pension plans. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Excluding restructuring and other charges does not imply they are necessarily non-recurring.

We use pro forma EBITDA, among other measures, to assess the operating performance of Bell Aliant Holdings LP had it been in existence since January 1, 2005. EBITDA and pro forma EBITDA allow us to compare our operating performance on a consistent basis. We believe that certain investors and analysts use these measures to assess our ability to service debt, make capital distributions to unitholders or shareholders and to meet other payment obligations, or as a common valuation measurement in the telecommunications industry.

EBITDA and pro forma EBITDA should not be confused with operating revenues or expenses which are the most comparable Canadian GAAP financial measure.

Distributable Cash

Distributable cash is the cash generated from operating activities that is available to distribute to our unitholders. We calculate it using EBITDA or pro forma EBITDA and add or deduct any cash items not included in EBITDA but required for operating purposes in the current period, including the following items:

- (i) cash funding requirement for current service pension costs for DB pension plans and other employee benefit plans to the extent not already deducted in determining EBITDA;
- (ii) interest expense;
- (iii) capital expenditures;
- (iv) other cash income or expenses that may be incurred to the extent not included in EBITDA;
- (v) an adjustment to cash capital taxes to reflect a normalized level that will be achieved once announced provincial tax rate reductions come into effect in future years;
- (vi) expenses incurred by the Fund as these are not included in the EBITDA of Bell Aliant Holdings LP;
- (vii) adjustments for certain one-time or other normalizing expenses items;
- (viii) the portion of our consolidated distributable cash that is generated for the benefit of the non-controlling interest in our controlled subsidiaries; and
- (ix) the portion of distributable cash that was generated by discontinued operations.

Prior to July 7, 2006, the majority of the adjustments represent pro forma results. Subsequent to July 7, 2006, all of these adjustments to determine distributable cash can be found in our financial statements or records with the exception of the normalization for cash taxes. This adjustment is a calculation where some management judgement is exercised in estimating the level of capital taxes that we will pay when future tax rate changes come into effect.

In order to discuss and analyze distributable cash in reference to prior periods, we have produced the following calculations from pro forma EBITDA:

<i>For the period ended December 31</i> <i>(millions of dollars)</i>	Twelve Months	
	2006	2005
<i>Reconciled to pro forma EBITDA</i>		
Pro forma EBITDA	\$1,481.4	\$1,475.0
(1) Cash funding of current service cost for net benefit plans	(63.9)	(57.2)
Pro forma adjustments not reflected in EBITDA prior to July 7, 2006	2.8	5.6
(2) Cash capital taxes included in EBITDA	10.5	1.2
(3) One-time items	-	11.0
Fund expenses	(1.0)	-
(4) Non-controlling interest	(65.3)	(66.3)
Other income (expenses)	(1.8)	(1.8)
(5) Interest expense	(138.5)	(148.3)
(2) Normalized cash capital taxes	(6.8)	(7.0)
(6) Capital expenditures	(496.9)	(502.9)
Distributable cash of discontinued operations	(0.4)	1.4
Distributable cash	\$720.1	\$710.7

- (1) The cash funding requirement related to current service costs for net benefit plans for the period. The portion of cash funding required for net benefit plans cost that exceeds current service cost will be funded through cash reserves or borrowing.
- (2) Capital taxes actually paid that are in excess of normalized levels will be funded through cash reserves or borrowing.
- (3) One-time costs impacting Bell Canada's regional wireline operation in 2005 related to a labour disruption were added back to normalize EBITDA.
- (4) The proportionate share of the EBITDA of Bell Nordiq Group Inc. (**BNG**) and Atlantic Mobility Products Limited (prior to August 31, 2006), that is attributable to the non-controlling interest in these businesses.
- (5) For the third and fourth quarters of 2006, represents the actual interest expense incurred, net of that portion attributable to the minority holders of BNG and Atlantic Mobility Products Limited (prior to August 31, 2006). For periods prior to the third quarter of 2006, represents management's estimate of interest expense, assuming total drawn debt of \$2.6 billion for Bell Aliant LP at an estimated interest rate of 5.5 per cent had it been in operations since January 1, 2005. Interest expense also includes Bell Aliant Holdings LP's proportionate share of interest expense for BNG and Atlantic Mobility Products Limited.
- (6) For the third and fourth quarters of 2006, represents capital expenditures excluding that portion attributable to the minority holders of BNG and Atlantic Mobility Products Limited (prior to August 31, 2006). For periods prior to the third quarter of 2006, represents management's estimate of capital expenditures for Bell Aliant Holdings LP, had it been in operation since January 1, 2005.

We also calculate distributable cash from a cash flow perspective using cash from operating activities and adding or deducting any items that affect cash flow, including the following:

- (i) operating items funded through cash reserves or borrowings, such as debt prepayment premiums, changes in operating assets and liabilities (working capital), pension deficit funding, restructuring and other charges, and cash capital taxes in excess of normalized levels;
- (ii) current income tax provisions are added back as we have tax strategies in place to ensure that they are not payable in cash;
- (iii) capital expenditures;
- (iv) the portion of distributable cash that is attributable to non-controlling interests (other than Bell Canada) of subsidiaries;
- (v) expenses incurred by the Fund as these are not included in the EBITDA of Bell Aliant Holdings LP; and

- (vi) other elements of operating cash flows that may or may not result in actual current or future cash flows. For example, \$2.0 million of other income is intended to be settled by other than collecting cash.

All of these adjustments to determine distributable cash can be found in our financial statements or records.

<i>For the period ended December 31, 2006</i>		Three	Six
<i>(millions of dollars)</i>		Months	Months
<i>Reconciled to cash from operating activities</i>			
Cash from operating activities		\$227.5	\$395.3
Add (deduct):			
Operating items funded through cash reserves of borrowing:			
Debt prepayment premiums		-	147.8
Change in operating assets and liabilities (working capital)		14.2	44.5
Pension deficit funding		15.3	29.3
Restructuring and other charges		0.2	4.0
Cash capital taxes in excess of normalized levels		3.5	6.5
Current income tax expense		18.8	17.0
EBITDA adjustments for July 1 to 7, 2006		-	11.1
Capital expenditures and interest adjustments for July 1 to 7, 2006		-	(1.9)
Capital expenditures		(131.1)	(259.7)
Non-cash items in other income		(2.0)	(2.0)
Fund expenses		(1.0)	(1.0)
Non-controlling interest in distributable cash		(11.4)	(21.0)
Distributable cash		\$184.0	\$369.9

We use distributable cash, among other measures, to assess the financial performance of our ongoing business. It should not be seen as a measure of liquidity or as a substitute for comparable metrics prepared in accordance with Canadian GAAP. We believe that certain investors and analysts use distributable cash to measure our, as well as other open-ended trusts', ability to generate a sustainable return for unitholders.

Distributable cash should not be confused with cash from operating activities which is the most comparable Canadian GAAP financial measure.

STRUCTURE OF BELL ALIANT HOLDINGS LP

Bell Aliant Holdings LP

Bell Aliant Holdings LP is a limited partnership formed under the laws of the province of Québec pursuant to a limited partnership agreement dated June 29, 2006, as amended (the **Bell Aliant Holdings LP Partnership Agreement**). Bell Aliant Holdings LP's principal and head office is located at 6 South Maritime Centre, 1505 Barrington Street, Halifax, Nova Scotia, B3J 2W3. The general partner of Bell Aliant Holdings LP is Bell Aliant Regional Communications Holdings Inc. (**Bell Aliant Holdings GP**).

Inter-corporate relationships

The Fund owns 100 per cent of the voting securities of Bell Aliant Holdings Trust (**Holdings Trust**), a trust formed under the laws of the Province of Québec, and 81.5 per cent of the voting securities of Bell Aliant Regional Communications Holdings Inc., a corporation incorporated under the laws of Canada. Bell Aliant Holdings GP acts as the general partner of Bell Aliant Holdings LP and holds the general partnership interest in Bell Aliant Holdings LP.

Holdings Trust owns 81.5 per cent of the limited partnership units of Bell Aliant Holdings LP, a limited partnership formed under the laws of the Province of Québec. Bell Aliant Holdings LP owns 100 per cent of the voting securities of Bell Aliant Regional Communications Inc. (**Bell Aliant GP**), a corporation incorporated under the laws of Canada, and 100 per cent of the voting securities of Bell Nordiq Group Inc. (**BNG**), a company incorporated under the laws of the Province of Québec. Bell Aliant GP acts as the general partner of Bell Aliant LP, a limited partnership formed under the laws of the Province of Manitoba, holds the general partnership interest in Bell Aliant LP and owns, directly or indirectly, 62.14 per cent of the limited partnership units of Bell Aliant LP. BNG acts as general partner of each of Télébec LP and NorthernTel LP and owns 63.3 per cent of the limited partnership units of each of Télébec LP and NorthernTel LP, both of which are limited partnerships formed under the laws of the Province of Québec.

The Fund also owns 100 per cent of the voting securities of Bell Nordiq Trust, a trust formed under the laws of the Province of Québec, which in turn owns 36.7 per cent of the limited partnership units of each of Télébec LP and NorthernTel LP.

Certain subsidiaries, whose total assets individually represent less than 10 per cent of the consolidated assets of Bell Aliant Holdings LP, and whose total sales and operating revenues individually represent less than 10 per cent of the sales and operating revenues of Bell Aliant Holdings LP, and whose total assets and sales and operating revenues, respectively, in aggregate, represent not more than 20 per cent of such consolidated amounts of Bell Aliant Holdings LP, have not been disclosed above. Transactions which have been announced but not completed as of the date hereof are also not reflected in the above description.

At December 31, 2006 BCE owned, directly or indirectly, 44.7 per cent of the Fund on a fully diluted basis (in the form of exchangeable limited partnership units of Bell Aliant Holdings LP and Bell Aliant LP). At the date of this AIF, BCE owned, directly or indirectly, 42.61 per cent of the Fund on a fully diluted basis (in the form of exchangeable limited partnership units of Bell Aliant Holdings LP and Bell Aliant LP), as a result of additional units of the Fund (**Fund Units**) that were issued on January 30, 2007 in connection with the Bell Nordiq privatization. BCE also holds, directly or indirectly, special voting units of the Fund entitling it to voting rights at any meeting of Fund unitholders equivalent to the number of Fund Units issuable upon exchange of BCE's exchangeable limited partnership units. See "Other Material Agreements" and "Interest of Management and Others in Material Transactions" for more information about BCE's ownership interest in the Fund and other rights.

GENERAL DEVELOPMENT OF THE BUSINESS

Recent Developments

The Fund and Bell Aliant Holdings LP have concluded or announced several developments since the end of 2006, detailed below.

Fibre to the Node (FTTN)

Telecom companies have been using digital subscriber loop electronics to provide higher levels of bandwidth on existing copper lines for the past decade. Placing DSL equipment, or nodes, closer to customers allows increases in speed. The nodes are connected by fibre optic cable, thus the term "fibre to the node" or FTTN. Customers benefit from FTTN's capacity to deliver higher bandwidth to support applications such as IPTV, music and movie downloads, gaming, video, conferencing and other applications.

We have announced our intention to accelerate our investment in FTTN with an incremental \$35 million to \$45 million investment in 2007, bringing our homes passed by FTTN to 200,000 by the end of 2007.

Amtelecom

On February 16, 2007, the Fund announced its intention to make a take-over bid (the **Offer**) to acquire all of the outstanding trust units of Amtelecom Income Fund (**Amtelecom**) at a price of \$13.00 cash per unit. Bell Aliant LP mailed an offer to purchase and take-over bid circular to Amtelecom unitholders and formally commenced the Offer on February 28, 2007. If the Offer and any related second step transaction are completed, the total acquisition cost, including assumed debt of Amtelecom but before transaction costs, will be approximately \$119 million. The Offer will be fully financed through Bell Aliant LP's cash on hand and existing credit facilities. The Offer is subject to certain specified conditions, and there is no assurance that the conditions will be satisfied or that the Offer will be completed.

Aliant Directory Services

On February 19, 2007, the Fund announced a memorandum of understanding for Yellow Pages Group to acquire the assets of Aliant Directory Services. The \$330 million purchase price for Bell Aliant GP's interest in the business is payable in cash at closing. Aliant Directory Services is a partnership between the Fund (through its subsidiary Bell Aliant GP) and Yellow Pages Group. Bell Aliant GP holds 87.14 per cent of Aliant Directory Services and Yellow Pages Group holds the balance. This transaction is subject to the satisfaction of certain conditions, including the execution of a definitive purchase agreement, the parties entering into certain long term commercial agreements, and the satisfaction of regulatory requirements.

Normal Course Issuer Bid

On February 20, 2007, the Fund announced that it would use the proceeds from the sale of Aliant Directory Services to initiate a Fund Unit buyback program through a normal course issuer bid (**NCIB**). Under the NCIB, the Fund is permitted to purchase for cancellation up to but not more than 13,738,000 of its outstanding Fund Units, representing approximately 10 per cent of the public float of Fund Units. The NCIB will be carried out until the earlier of (i) February 27, 2008 or (ii) the time at which the maximum number of Fund Units have been purchased. The purchase of Fund Units will be carried out through and in accordance with the requirements of the TSX.

Medium Term Notes

On February 21, 2007, Bell Aliant LP announced that it had agreed to sell, on an agency basis, an aggregate \$1 billion principal amount of Medium Term Notes (the **Notes**) in three tranches: \$400 million principal amount of 7 year Notes to mature February 26, 2014; \$300 million principal amount of 12 year Notes to mature February 26, 2019; and \$300 million principal amount of 30 year Notes to mature February 26, 2037. Proceeds from the issuances of the Notes will be used to pay down amounts owing under the \$3.5 billion unsecured credit facility Bell Aliant LP has in place with a syndicate of financial institutions or, if no such amounts are owing, may be added to the general funds of Bell Aliant LP and made available for general and working capital purposes, to finance acquisitions, to finance additions to property, plant and equipment or for the retirement of other debt (which debt was incurred by Bell Aliant LP for similar purposes).

October 31, 2006 Announcement

On October 31, 2006, the Minister of Finance (Canada) announced a proposal whereby publicly-listed income trusts and limited partnerships would be subject to a special tax on certain income. Where securities of the trust or partnership were publicly-listed before November 1, 2006, the proposal would apply beginning in the 2011 taxation year, unless the benefit of this transitional delay is lost because there has been "undue expansion" of the trust or partnership. See "Risk Factors".

Three Year History

2004 Highlights

In 2004, Aliant restored Xwave Solutions Inc. (**xwave**) to profitability drawing on efficiencies gained from restructuring, identifying past successes and selling similar customized solutions to a broader range of clients, and focusing on near-shore opportunities. Aliant began the realignment of its corporate structure to bring its Telecommunications and Information Technology segments closer together enabling it to deliver one point of contact with business customers and provide integrated end-to-end information and communication technology (**ICT**) solutions. Aliant completed several small acquisitions and dispositions to further enhance the competencies of its existing core lines of business.

Labour Disruption and Voluntary Early Retirement Incentive Program

Aliant's 2004 performance was marked by a five-month labour disruption at Aliant Telecom Inc. (**Aliant Telecom**) that ended on September 20, 2004. During this period management continued to provide a full range of services and products to its customers. A new collective agreement was signed which lasts until December 2007 and which provides management with greater flexibility to manage its workforce in a highly competitive and rapidly changing marketplace. The labour disruption is estimated to have negatively impacted Aliant's 2004 net income by \$43 million.

In October 2004, Aliant offered a voluntary Early Retirement Incentive Program (**ERIP**) to eligible employees. The offer was accepted by 693 employees or 8 per cent of Aliant's workforce, including 654 Aliant Telecom employees. The ERIP resulted in a \$66.6 million charge against income in the fourth quarter of 2004, reducing net income by \$42.1 million.

Both the settlement with Aliant's unionized employees and the ERIP resulted in material changes to the costs of providing pensions and OPEB in 2004 and future years.

2005 Highlights

Aliant delivered revenue growth and cost savings and demonstrated a strong rebound from 2004. Employees re-committed to the strategy of growth and transformation. The balance sheet remained strong and generated 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 and lower interest rates.

xwave signed a multi-million dollar contract with L3 Communications MAS (Canada) Inc., part of the Sikorsky Aircraft-led Maritime Helicopter Team, for the design, provision and long-term support of an Integrated Information Environment in support of Canada's new CH148 Cyclone helicopters. Also as part of this program, a second multi-million dollar contract was signed with General Dynamics Canada to develop ground-based simulators and software to provide for training on this new fleet.

Aliant launched Aliant Internet Protocol (**IP**) virtual private network (**VPN**), a next generation business IP wide-area network data service, connecting customers' offices and data centres throughout Atlantic Canada to the rest of the country. Aliant IP-VPN was the first IP service to be offered over Aliant's state-of-the-art national multi-protocol label switching network, developed along with Bell Canada, and enabled Aliant to deliver VoIP, IP video conferencing, IP call centre applications and other future IP applications. In 2005, Aliant invested aggressively to accelerate the expansion and augmentation of its DSL network and launched its Aliant IPTV service in the Halifax market.

2006 Highlights

Throughout the year, we advanced our key priorities: (i) evolving key broadband attributes to improve user experience and drive profitable revenue growth; (ii) simplifying and enhancing the customer experience; (iii) renewing our focus on enterprise customers, continuing to pursue our ICT strategy and expanding our presence in key industry verticals; and (iv) implementing productivity and cost structure improvements.

In regard to our focus on key industry verticals, we made significant advancements in the healthcare segment, and received industry recognition as “Company of the Year” by Canadian Health Infomatics. New healthcare contracts during 2006 included the Newfoundland and Labrador Prescription Drug Program, the Cancer Care Ontario Client Registry and the Ontario Association of Community Care Access Centres case management system.

In July 2006, the Arrangement was completed, creating Canada’s third largest incumbent local exchange carrier (**ILEC**). As a result of the Arrangement, Bell Aliant LP acquired the Bell Aliant Business and disposed of Aliant’s wireless telecommunications operation to Bell Canada, and we acquired an indirect 63.4 per cent limited partnership interest in the Bell Nordiq Partnerships.

On July 13, 2006, Bell Aliant LP established a commercial paper program with a maximum borrowing capacity of \$400 million. Proceeds from the issuance of notes under the program will be used to repay existing bank indebtedness and for general operating purposes. In September 2006, Bell Aliant LP filed a shelf prospectus, allowing for the issuance of medium-term notes (the **LP Notes**) for an aggregate principal amount of up to \$3 billion. Pursuant to the prospectus, on September 25, 2006 Bell Aliant LP sold an aggregate \$1.25 billion principal amount of the LP Notes in two tranches.

Regulatory developments

Our telecommunications business is affected by decisions made by the Canadian Radio-television and Telecommunications Commission (**CRTC** or the **Commission**). Many of these decisions could have an impact on our operations as well as a financial impact on our results. The key decisions are highlighted below and are further described under “Risk Factors – Risks Relating to the Business - Changing Regulations”.

- *Local forbearance* - On April 6, our application for forbearance from price regulation of local residential services in certain areas or exchanges in Nova Scotia and Prince Edward Island was denied (the **local forbearance decision**). We filed an appeal of the local forbearance decision to the Federal Court of Appeal and a petition to Governor in Council. In response to this petition, on December 11, 2006, the federal Minister of Industry announced a government proposal to change the CRTC’s local forbearance decision. This proposal would greatly simplify and positively alter the criteria for local forbearance in competitive markets. It would also remove several restrictions on winback and promotional activities. Although the proposed changes are positive for us, there is no guarantee that the order will be issued in its current form. Furthermore, there is no guarantee that the outcome in any of the proceedings will improve the likelihood or speed with which we will be granted forbearance for local exchange services.
- *Rates* - On December 16, 2005, the Commission extended the current price cap regime applicable to regulate services which are not forborne, without changes, to May 31, 2007. In 2006, the Commission concluded a proceeding to establish the price cap regime that will go into effect in 2007. A decision is expected in April 2007. Also, on November 23, the CRTC rendered a decision allowing rate ranges for local exchange and related services.
- *Quality of Service* - On May 16, the Commission determined that only 50 per cent of the effect of the 2004 work stoppage in the Atlantic region could be excluded from the Quality of Service (**QoS**) customer rebate plan. We have filed an application with the Commission to review and vary their decision to exclude only 50 per cent of the impact of the 2004 work stoppage from the QoS rebate plan.
- *VoIP* - On September 1, the Commission reaffirmed VoIP as a telephone service, declining to remove price regulations and on November 15, the federal government varied the CRTC’s VoIP decision so as to remove price regulation of access-independent VoIP services offered by incumbent service providers.
- *Wholesale Services* - On November 9, the Commission initiated a proceeding to review the regulatory regime for wholesale services. This review will consider redefining “essential services” and to review classifications and pricing principles for essential and non-essential services provided by ILECs, competitive local exchange carriers and cable companies to other competitors.

- *Policy Direction* - On December 18, the federal government's new policy direction for the CRTC came into force. This policy direction requires the Commission to take a more market-oriented approach to regulation of the telecom industry.

We expect these recent orders and proposed changes to eventually lessen our regulatory burden and to improve our promotional flexibility and ability to compete effectively.

2007 Guidance

We plan to achieve our business objectives in 2007 through the performance of key strategic initiatives under our broad strategy of utilizing our strengths of service, value and community to grow our business to deliver strong cash flows and returns for our stakeholders. We operate in an increasingly competitive marketplace, with competition emerging from VoIP providers, wireless carriers, cable TV operators and system integrators. We have identified two key strategic priorities to address the growing competition: 1) to provide a superior customer experience and 2) to drive operational efficiency. We believe a superior customer experience is created by providing exceptional customer service, providing value through our leading products and services, and having strong community involvement. The support of our actively engaged, highly skilled workforce will enable us to deliver on our strategic priorities. Our strategic initiatives are summarized as follows:

- *Customer service* - We are implementing extensive changes in the way we serve our customers. These changes will make it easier for customers to do business with us, when and where it is convenient for them.
- *Providing value through leading products and services* - Providing value is about offering the right products and services to customers at a competitive price. Through our relationship with Bell Canada, we are continually developing and introducing new and innovative products and services that will offer convenience and ease-of-use for consumers and a competitive advantage for businesses. We provide a full suite of ICT services. We have built strong relationships with our large private and public sector customers, and offer industry-specific solutions for health care, justice and public safety, defence and aerospace, and government. We continue to build on these capabilities in our desire to become the integrated ICT solutions provider to enterprise customers.
- *Community* - We have a long-standing commitment to the communities we serve and a history of giving generously to help them thrive socially, culturally and economically. Our more than 10,000 employees live in the hundreds of communities we serve and their community spirit and involvement is a big part of what makes our brands strong. We believe addressing the unique needs of local communities provides us with a competitive advantage.
- *Operational efficiency* - While pursuing top-line revenue growth, we will also seek to aggressively manage our cost structure to grow distributable cash and deliver value to Fund unitholders. Our significant scale, access to leading-edge technology and increased collaboration with Bell Canada all contribute to improving operational effectiveness and reducing costs. Our outsourcing agreements with Bell Canada specify scheduled cost reductions as Bell Canada implements its own productivity program, resulting in direct savings for us. Additionally, our operations permit the flexibility to develop customized regional approaches to capture further productivity where opportunities exist.
- *Industry consolidation* - We continually explore opportunities for further consolidation in our industry as evidenced by our privatization of Bell Nordiq Income Fund in January 2007, and our announced intention to acquire Amtelecom. The size of our revenue and fixed asset base, in addition to our proven ability to operate successfully in regional markets, provides us with a strong platform for future acquisitions of other regional and rural operations.

DESCRIPTION OF THE BUSINESS

We are a leading ICT provider, complementing the telecommunications business that we have operated for over 100 years with strengths in information technology to deliver complete customer solutions. We serve customers in several geographic markets, but principally in Canada, and across many different industries.

We operate in three reportable segments:

Bell Aliant

Our largest operating segment provides a wide range of innovative and traditional voice and data communications services and an array of consulting, infrastructure management and product fulfillment services to customers in the Atlantic provinces and parts of Ontario and Québec. Communications services Bell Aliant provides include local telephone, long distance, data and Internet, IPTV, and other products and services. In addition, Bell Aliant provides IT services such as systems integration, application development, local area network installation, wide area network management, data centre operations, computer hardware, package software and information technology planning services.

Bell Nordiq Group

The Bell Nordiq Group segment provides local telephone, long distance, wireless, data and Internet, cable TV and other services to residential and business customers in regional areas of Québec and northern Ontario, and represents primarily the operations of the Bell Nordiq Partnerships.

Other Subsidiaries

The Other Subsidiaries operating segment provides complementary services and includes the results of operations of the following businesses:

- Aliant Directory Services (formerly Aliant ActiMedia), which produces and distributes telephone directories in the Atlantic region,
- Atlantic Mobility Products Limited Partnership (**AMP**), a wholesale distributor of wireless handsets, accessories and other telecommunications products, and
- Innovatia Inc. (**Innovatia**), a knowledge management business that provides services in e-learning, technical documentation and tele-web sales and service.

Business of the Bell Aliant Segment

The Bell Aliant segment (**Bell Aliant**) is composed of the Wireline Operation and Information Technology division. The Wireline Operation consists of Aliant's wireline telecommunications operation in Atlantic Canada combined with the wireline telecommunications operation in certain regional territories in Ontario and Québec formerly carried on by Bell Canada and acquired by Bell Aliant LP in the Arrangement. The Information Technology division consists primarily of the activities of our xwave division.

Prior to the Arrangement, the Wireline Operation was operated as Aliant's "Telecommunications" segment as it included the wireless segment (which was transferred to Bell Canada as part of the Arrangement).

Products and Services

Bell Aliant includes revenue from the following products: Local and access; Long distance; Data; IT services and fulfillment; Wireless; and Other. The following chart outlines the approximate percentage breakdown of the 2005 and 2006 pro forma operating revenues by product line and customer segment.

<i>For the period ended December 31</i>	Twelve months Pro forma	
	2006	2005
<i>(millions of dollars)</i>		
Local and access	\$1,299.1	\$1,311.0
Long distance	452.6	488.9
Data	592.6	552.8
IT services and fulfillment	279.1	253.0
Wireless	-	-
Other revenues	196.7	189.1
Operating revenues ⁽¹⁾	\$2,820.1	\$2,794.8
Operating expenses	1,565.0	1,535.3
EBITDA ⁽²⁾	\$1,255.1	\$1,259.5
Net benefit plans cost	98.8	103.2
Depreciation & amortization	526.1	549.3
Restructuring and other charges	13.1	(3.5)
Operating income ⁽³⁾	\$617.1	\$610.5

⁽¹⁾ The term pro forma operating revenues does not have any standardized meaning prescribed by Canadian GAAP. Please refer to the "Non-GAAP Financial Measures" section of this document for more details on pro forma operating revenues including a definition and reconciliation to operating revenues.

⁽²⁾ The term pro forma EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning prescribed by Canadian GAAP. Please refer to the "Non-GAAP Financial Measures" section of this document for more details on pro forma EBITDA including a definition and reconciliation to non-GAAP operating income.

⁽³⁾ The term pro forma operating income does not have any standardized meaning prescribed by Canadian GAAP. Please refer to the "Non-GAAP Financial Measures" section of this document for more details on pro forma operating income including a definition and reconciliation to operating revenues and expenses.

Bell Aliant is not dependent on any single customer for 15 per cent or more of its revenues or income, but larger business customers and government agencies do account for a significant portion of its revenues.

Local and access services

Local revenue is earned from providing the following services:

- Network access service – monthly access charge for provision of local telephone service;
- Enhanced service features – such as call answer, call display and call forwarding;
- Contribution payments – subsidies from the National Contribution Fund, created to support local service in high-cost serving areas;
- Competitor network access payments – fees paid by competitors that access Bell Aliant's local network; and
- Other revenues – including payphone usage and service charges.

Long distance services

Long distance revenue is earned through providing the following services:

- Toll service – long distance voice services, including toll-free service; and
- Long distance terminating – the rates paid by certain telecommunications carriers for long distance calls terminating with Bell Aliant's customers.

Data

Data revenue is earned from providing the following services:

- Data access – local data access services such as frame relay, asynchronous transfer mode and interoffice digital access;
- Data circuit revenue – monthly charges based on length and/or capacity (bandwidth) of circuits that send and receive information on a packet switched or dedicated basis;
- High-speed and dial-up Internet access;
- IPTV; and
- Enhanced service and applications – value added services, such as TV on my PC™, security services, music download services and dial-up accelerator.

IT services and fulfillment

IT services and fulfillment revenue is earned primarily from the xwave division from providing the following services:

- Systems integration;
- Software engineering;
- Business Consulting; and
- Infrastructure services – services such as data centre, help desk, security and technical support.

Wireless

Prior to completion of the Arrangement, wireless revenue was earned through the provision of cellular, paging and mobile services over Bell Aliant's analog and digital wireless network. Aliant's wireless operation was sold to Bell Canada as part of the Arrangement.

Other

Other revenue is earned through:

- Terminal rentals and sales;
- Personal computer (PC) sales from the PC Purchase Program;
- Professional services – consulting revenue for establishing/reviewing client needs for network configuration, equipment or other services;
- Pole and building rentals; and
- Revenue generated from Bell Aliant's outsourcing arrangement with Bell Mobility.

Marketing and distribution channels

Bell Aliant sells its products and services through face to face sales representatives, telemarketing centres, sales agents, including partner owned retail stores, and Internet portals including aliant.net, bell.ca and bell.aliant.ca. During 2006, Bell Aliant continued efforts to implement measures to simplify and improve various types of customer interactions.

Bell Aliant's ability to combine service offerings is integral to its success, driving loyalty and protecting its customer base. In 2006, Bell Aliant 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 its business market, Bell Aliant also provides combined service offerings in the form of business bundles and customized solutions.

Specialized Skill and Knowledge

To provide reliable, competitive and innovative products and services to its customers, Bell Aliant will be adopting IP based technologies at an increasing rate. Bell Aliant will also build solutions that take advantage of the convergence of 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. Bell Aliant will continue to invest 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.

There is an ever-increasing requirement for professional services resources with business change capability. Although the labour market has become increasingly competitive, Bell Aliant has been able to meet demand through both direct hiring activity as well as relationships with the subcontractor community. As Bell Aliant builds its capabilities within specific industry verticals, including defence and aerospace and healthcare, demand for domain expertise will also increase and Bell Aliant anticipates more recruitment will be required for these specialized roles.

Competitive Conditions

Bell Aliant faces a number of different competitors in each of its operating segments and across the geographies it serves. These competitors include long distance carriers, competitive data network providers, equipment manufacturers and retailers, systems integrators, and cable TV providers, Internet based voice carriers and wireless carriers. Competition from cable TV providers continues to be Bell Aliant's fastest growing and most pervasive form of competition, particularly in the residential customer base.

In the residential market, competition for most product lines is maturing. Competition for local telephone service is most mature in Nova Scotia and Prince Edward Island, where it has existed in the residential market since 1999. In 2006, the competitive local service market expanded, with the introduction of local service competition in New Brunswick, Ontario and Québec. In this increasingly competitive residential local service market, Bell Aliant differentiates itself by offering innovative customer solutions, investing in advanced networks, focusing on customer experience, and building its brand through involvement in the communities it serves.

In the business market, competitive local, long distance, and Internet carriers operate throughout our territory. Bell Aliant is experiencing competition from new sources, most notably IT consulting companies that are increasingly acting as sellers of IP telephony and data solutions for business customers. Bell Aliant's strength is the integration of information and communications technology solutions, and building deep expertise in selected industry verticals.

New Products and Services

Bell Aliant is constantly evaluating its market and changing its product and service offerings to better meet the needs of its customers. These changes can involve pricing, packaging and new products.

Bell Aliant launched several new products and services in 2006. These included: IP/VoIP migration path for customers with traditional private branch exchanges, two VoIP-based services for Contact Centres, IP-based Hosted Video Conferencing service, satellite high speed Internet in the Atlantic Region (an alternative Internet service for customers not within a broadband servicing area) and video enhancements to our online presence, Aliant.net site.

Cycles

Bell Aliant's operating revenues and expenses for its wireline telecommunications operation have historically experienced some degree of seasonality. 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. As a result of the Arrangement, we no longer carry on a wireless business through the Bell Aliant segment. The comparability of quarterly results continues to be affected by the timing of product sales, which are typically large and sporadic in nature.

For the IT fulfillment business, the first quarter of the year is historically the strongest as a result of government fiscal year-end spending, although this effect has been somewhat lessened in recent years. IT service revenues are contract based and fluctuate in accordance with the size and number of outstanding contracts.

Changes to contracts and new contracts

In September 2005, Rogers Communications Inc. and Bell Canada announced the creation of a partnership called the “Inukshuk Wireless Partnership” to jointly build and manage a Canada-wide fixed wireless telecommunications network (the **Inukshuk Network**) using spectrum within the 2.3 GHz, 2.5 GHz and 3.5 GHz frequency bands. Under an agreement among Bell Canada, BCE, Aliant and Aliant Telecom dated March 3, 2006, Aliant Telecom agreed to pay certain fees and contribute its 3.5 GHz spectrum licences to the Inukshuk Wireless Partnership in exchange for Bell Canada providing Aliant Telecom with access to the Inukshuk Network in Atlantic Canada for the purpose of reselling or otherwise providing such services to the Fund Group’s customers. As between Bell Canada and the Fund Group, the Fund Group has the exclusive right to sell services to its customers on the Atlantic Canadian portion of the Inukshuk Network. As part of the Arrangement, this agreement was extended to the Fund Group’s territory in Ontario and Québec. Currently, the Fund Group provides fixed wireless broadband services on the Inukshuk Network in certain parts of its operating territory.

The Fund Group has entered into a series of commercial relationships which govern the relationship with Bell Canada, as well as the Commercial Relationship Management Agreement and the Connecting and Operating Agreement. Further information regarding the relations with Bell Canada and BCE can be found under the headings “Risk Factors – Risks Relating to the Business – Relationship with Bell Canada; Allocation of Business Opportunities” and “Interest of Management and Others in Material Transactions”.

In the fourth quarter of 2006, Bell Aliant entered into a seven-year contract representing its first comprehensive ICT outsource opportunity including a VoIP service component. Two significant contracts with the Government of Newfoundland and Labrador and the Government of New Brunswick were set to expire in 2007, but in each case we have secured long-term renewal contracts.

Employees

Bell Aliant had approximately 8,400 employees as at December 31, 2006.

Business of the Bell Nordiq Group Segment

The Bell Nordiq Group segment reflects the operations of the Bell Nordiq Partnerships and other subsidiary partnership and corporations. The Bell Nordiq Partnerships, Télébec LP and NorthernTel LP, are established under the laws of Québec. They are leading integrated providers of wireline (local access and long distance), data, cable, wireless, and other communications services to residential and business customers across regional areas of Québec and northern Ontario. BNG, a company incorporated under the laws of Québec, is a wholly-owned subsidiary of Bell Aliant Holdings LP, and general partner, responsible for managing each of the Bell Nordiq Partnerships.

Télébec LP operates in Québec and serves an area of approximately 750,000 square kilometres with a population of 370,000. Its territory extends as far north as James Bay, south of Venise-en-Québec near the U.S. border, west to Shawville in the Outaouais and east to the Magdalen Islands. The main urban centres served by Télébec LP are Rouyn-Noranda, Val-d’Or, Amos, Mont-Laurier, La Tuque and Bécancour.

NorthernTel LP operates in Ontario and serves an area of approximately 83,000 square kilometres, with a population of approximately 120,000. Its territory stretches from Calstock to Latchford and from Virginiatown to Timmins. The main urban centres served by NorthernTel LP are Hearst, Kapuskasing, Timmins, Kirkland Lake and New Liskeard.

As at December 31, 2006 Bell Aliant Holdings LP, indirectly through BNG, held a 63.3 per cent limited partnership interest in each of the Bell Nordiq Partnerships, with the remaining 36.7 per cent interest held by the Bell Nordiq Income Fund (**Bell Nordiq**). On January 30, 2007 the Fund completed the privatization

of Bell Nordiq and now owns, indirectly through Bell Nordiq Trust, the remaining 36.7 per cent limited partnership interest in the Bell Nordiq Partnerships.

Products and Services

The Bell Nordiq Partnerships earn revenue from the following products: Local and access; Data and cable; Long distance; Wireless; and Other. The following chart shows the 2005 and 2006 pro forma operating revenue and other financial information for the Bell Nordiq Partnerships.

<i>For the period ended December 31</i>	Twelve months Pro forma	
	2006	2005
<i>(millions of dollars)</i>		
Local and access	\$157.4	\$159.0
Long distance	41.5	45.1
Data and cable	68.3	61.9
Wireless	55.9	51.4
Other revenues	50.6	42.1
Operating revenues ⁽¹⁾	\$373.7	\$359.5
Operating expenses	190.6	181.9
EBITDA ⁽²⁾	\$183.1	\$177.6
Net benefit plans cost	11.8	7.2
Depreciation & amortization	56.9	51.1
Operating income ⁽³⁾	\$114.4	\$119.3

⁽¹⁾ The term pro forma operating revenues does not have any standardized meaning prescribed by Canadian GAAP. Please refer to the "Non-GAAP Financial Measures" section of this document for more details on pro forma operating revenues including a definition and reconciliation to operating revenues.

⁽²⁾ The term pro forma EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning prescribed by Canadian GAAP. Please refer to the "Non-GAAP Financial Measures" section of this document for more details on pro forma EBITDA including a definition and reconciliation to non-GAAP operating income.

⁽³⁾ The term pro forma operating income does not have any standardized meaning prescribed by Canadian GAAP. Please refer to the "Non-GAAP Financial Measures" section of this document for more details on pro forma operating income including a definition and reconciliation to operating revenues and expenses.

The Bell Nordiq Partnerships are not dependent on any single customer for 15 per cent or more of its revenues or income, but larger business customers and government agencies do account for a significant portion of its revenues.

Local and access services

Local revenue is earned from providing the following services:

- Network access service – monthly access charge for provision of local telephone service;
- Enhanced service features – value added services, such as call answer, call display and call forwarding; and
- Contribution payments – subsidies from the National Contribution Fund, created to support local service in high-cost serving areas.

Data and cable services

Data and cable revenue is earned from providing the following services:

- Data transmission service;
- High-speed and dial-up Internet service – offered through telecom network, satellite and cable; and
- Cable service – analog and digital TV and audio radio.

Long distance services

Long distance revenue is earned from providing the following services:

- Toll service – long distance voice services, including toll-free service; and
- Long distance originating and terminating – the rates paid by certain telecommunications carriers for long distance calls originating or terminating on the Bell Nordiq Partnerships network.

Wireless

Wireless revenue is earned through the provision of the following services:

- Cellular and paging; and
- Value-added services such as short message system (SMS), Mobile Browser, advanced ringtones and personal digital assistants (PDA) with e-mail and Internet functionality.

Other

Information systems and information technology (**ISIT**), terminal, directory and other services revenue is earned from:

- Ongoing ISIT consulting services to customers – integrated ISIT services such as help desk, network management and security;
- Rentals, sales and maintenance of business terminal equipment; and
- Print directory advertising.

Marketing and distribution channels

Télébec LP and NorthernTel LP have a diversified distribution network made up of:

- An in-house sales department;
- Outsourced telemarketing facilities;
- Authorized retail agents;
- Electronic channels, such as interactive voice-response system; and
- Transaction websites – www.telebec.com and www.northerntel.ca.

Authorized agents are generally well-established retail outlets in their respective territories. There are approximately 76 authorized agents, with 50 in Québec and 26 in Ontario.

Competitive Conditions

Télébec LP and NorthernTel LP face competition in each of their markets for all of the services that they provide.

Technology advances, and VoIP in particular, have opened competition to companies that can rapidly launch new products and services and gain market share with far lower investments. VoIP competition has begun and it is expected to intensify going forward, particularly in Télébec LP's southeast region. To date, the greatest VoIP threat comes from cable companies.

Although local competition has been limited, it is expected to intensify due in part to the factors listed above. In addition, long-distance rates continue to be under pressure, with competition coming from traditional competitors, as well as from new market entrants. Télébec LP and NorthernTel LP not only compete with other telecommunications companies but also with other businesses and industries, such as providers of business information systems and systems integrators as well as cable companies.

Cable companies and independent Internet service providers have increased competition in the Internet access services business. Competition has led to Internet access pricing in Canada that is amongst the lowest in the world and largely independent of usage patterns. Costs, however, are driven by the amount of network traffic a user generates and the location of the server that stores the Web site the user visits. Such costs are largely beyond the control of Télébec LP and NorthernTel LP and cannot be accurately predicted.

The Canadian wireless telecommunications industry is also highly competitive. Télébec LP and NorthernTel LP compete directly with other service providers with aggressive product and service introductions, pricing and marketing. Competition is expected to intensify through the development of new technologies, products and services. Certain Canadian wireless providers have been targeting the wireline business in their marketing campaigns.

A new trend is emerging amongst mass market retailers to offer under their own brand wireless service to retail customers (mobile virtual network operators). Although these retailers do not own any transmission facilities, their size, marketing abilities and considerable appeal to retail customers could increase the competition we face in the wireless business.

Competition could affect Télébec LP's and NorthernTel LP's pricing strategies and lower their revenues and net income. It could also affect their ability to retain existing customers and attract new ones. Competition creates constant pressure to improve customer service and be price-competitive and it forces Télébec LP and NorthernTel LP to keep reducing costs, manage expenses and increase productivity. It also forces them to anticipate and respond quickly to the constant changes in their businesses and markets.

Télébec LP and NorthernTel LP believe the following help reduce the impact of competition in their respective markets:

- A business model that meets the distinct telecommunications needs of regional markets;
- A vast, remote and scattered territory;
- Low population densities, which increase the relative cost of providing telecom services;
- A robust network, some parts of which can only be reproduced at high costs;
- Complete, integrated and competitive service offerings; and
- Established customer relationships and involvement in the economic development of the region.

New Products

The Bell Nordiq Partnerships are continuously working with the regions they serve to develop value added telecom solutions tailored to meet their needs. During 2006, the Bell Nordiq Partnerships introduced a number of enhanced wireless products, including the launch of a push to talk (10-4) service and an in-house pre-paid digital wireless offering. On the Internet side, they introduced WiFi hot spots, increased the Internet security services offered and launched a PC/Internet bundle program. They also began offering a number of enhanced data services.

Employees

The Bell Nordiq Group segment had approximately 1,100 employees as at December 31, 2006.

Business of Other Subsidiaries

Products and Services

The following chart outlines the approximate percentage breakdown of the 2005 and 2006 pro forma operating revenue for the Other Subsidiaries segment by applicable business.

<i>For the period ended December 31</i> <i>(millions of dollars)</i>	Twelve months Pro forma	
	2006	2005
Atlantic Mobility Products	\$ 89.7	\$ 83.5
Aliant Directory Services	56.3	52.3
Innovatia	27.9	26.3
	\$ 173.9	\$ 162.1
Operating expenses	130.3	124.2
EBITDA ⁽¹⁾	\$ 43.6	\$ 37.9
Net benefit plans cost	1.4	0.4
Depreciation & amortization	7.4	6.8
Restructuring and other charges	0.1	-
Operating income ⁽²⁾	\$ 34.7	\$ 30.7

⁽¹⁾ The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning prescribed by Canadian GAAP. Please refer to the "Non-GAAP Financial Measures" section of this document for more details on EBITDA including a definition and reconciliation to non-GAAP operating income.

⁽²⁾ The term operating income does not have any standardized meaning prescribed by Canadian GAAP. Please refer to the "Non-GAAP Financial Measures" section of this document for more details on operating income including a definition and reconciliation to operating revenues and expenses.

The Other Subsidiaries segment, as a group, is not dependent on any single customer for 15 per cent or more of its revenues or income, but larger business customers and government agencies do account for a significant portion of its revenues.

Aliant Directory Services is a telephone advertising business in which Bell Aliant holds an 87.1 per cent partnership interest with the balance being held by Yellow Pages Group. In February 2007, the Fund announced a memorandum of understanding for Yellow Pages Group to acquire the assets of Aliant Directory Services (see "General Development of the Business – Recent Developments").

SalesBridge, a joint venture between Innovatia and MarketBridge Corporation, discontinued operations in September 2006 after being notified in July 2006 of the termination of its contract with its major customer.

We acquired 100 per cent ownership of AMP in August 2006 when we purchased the remaining 54.96 per cent of the common shares of Atlantic Mobility Products Limited which was held by third parties.

Innovatia is a recognized leading provider of outsourced knowledge services, principally focused on the telecommunications and information technology sectors. Its product portfolio ranges from e-Learning (blending both web-based and traditional learning techniques to provide custom e-Learning solutions), to technical documentation and teleweb technical support (end-to-end documentation services on behalf of original equipment manufacturers).

Marketing and distribution channels

Aliant Directory Services uses local and national marketing and sales representatives to service the bulk of its customer accounts. Print directories are distributed primarily through Atcan, a locally owned distribution company, Canada Post and other independent carriers. Innovatia uses a combination of face-to-face, telesales and electronic channels to sell its products and services.

Specialized Skill and Knowledge

Aliant Directory Services is the most significant publisher of directories in Atlantic Canada and has a management agreement with Yellow Pages Group. Innovatia's employees have specialized skills in information architecture design, technical documentation writing and possess expert knowledge regarding its customers' technical products.

Competitive Conditions

Aliant Directory Services competes with other directory businesses and other forms of advertising media, including newspapers, television, radio, the Internet, magazines, billboards and direct mail advertisers. Because Innovatia provides an integrated approach to information management and knowledge delivery across documentation, eLearning and technical support, it has different competitors within each of the specific areas of the business. However, Innovatia has very limited competition relative to the breadth of services it provides in terms of its integrated approach.

New Products and services

Products and services are altered through technology enhancements on an on-going basis.

Changes to contracts and new contracts

In the third quarter of 2006, Yellow Pages Group gave notice of its intention to discontinue its management agreement with Aliant Directory Services at the end of the two-year notice period. In February 2007, the Fund announced a memorandum of understanding for Yellow Pages Group to acquire the assets of Aliant Directory Services (see "General Development of the Business – Recent Developments).

Employees

The Other Subsidiaries segment had approximately 500 employees as at December 31, 2006.

Intangible Properties

We believe that our trademarks, brands 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 all also very careful not to infringe the intellectual property of others.

Environmental Policy

We have adopted a comprehensive environmental policy that affirms our commitment to working to create a sustainable future by integrating long-term economic, environmental and social considerations into the way the business is operated. The policy provides for the identification of activities and situations which may have potential to harm the environment, and the implementation of environmentally positive practices and preventive measures. Our environment program seeks to ensure that we comply with all environmental regulatory requirements and that our activities are carried out in a manner that minimizes risk to the environment through a continuous improvement process. Our environmental responsibilities in Québec and Ontario are managed by Bell Canada in an equivalent manner.

We have instructed our executives to support these principles, and have established a management-level committee to oversee the implementation of the policy and update it as necessary.

We monitor our operations to ensure that they comply with environmental requirements and standards, and take action to prevent and correct problems, when needed. In 2006, an environmental management and review system was put in place that:

- provides early warning of potential problems;

- establishes a course of action; and
- ensures ongoing improvement through regular monitoring and reporting.

As well, an annual corporate environmental action plan was implemented, which establishes key environmental activities of our various business units. The plan identifies funding requirements, accountabilities and deliverables, and monitors progress in meeting its objectives. We invested approximately \$1.8 million on the 2006 Environmental Action Plan and will continue with similar program investments in 2007. The costs of the environmental program are not expected to have a material impact on earnings or capital expenditures of Bell Aliant Holdings LP, nor on its competitive position in the current year or future years.

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.

DESCRIPTION OF BELL ALIANT HOLDINGS LP

The description below is a summary only of the material attributes and characteristics of Bell Aliant Holdings LP and the partnership units of Bell Aliant Holdings LP and is qualified in its entirety by reference to the provisions of the Bell Aliant Holdings LP Partnership Agreement.

Capitalization

Bell Aliant Holdings LP is entitled to issue various partnership interests for such consideration and on such terms and conditions as may be determined by Bell Aliant Holdings GP. Bell Aliant Holdings LP has issued a nominal value general partnership interest held by Bell Aliant Holdings GP, Holdings Class 2 LP Units held by Holdings Trust and Holdings Class 1 Exchangeable LP Units held by BCE and Bell Canada. Together with the Holdings Class 1 Exchangeable LP Units, BCE holds, directly or indirectly, an equal number of GP Shares and Special Voting Units.

Distributions

It is intended that Bell Aliant Holdings LP will declare distributions (or pay advances in lieu of distributions) to limited partners of Bell Aliant Holdings LP's distributable cash as set out below (after nominal distributions to Bell Aliant Holdings GP on its general partnership interest) in respect of each month, and pay such distributions or advances on or before the 15th day of the immediately following month. Distributions or advances on the Holdings Class 1 Exchangeable LP Units and Holdings Class 2 LP Units will be made on an equal per-unit basis, provided, however that, for so long as each of the Holdings Class 1 Exchangeable LP Units and Fund Units are outstanding, Bell Aliant Holdings GP shall provide for unequal distributions as between the Holdings Class 1 Exchangeable LP Units and Holdings Class 2 LP Units so that such distributions on the Holdings Class 1 Exchangeable LP Units are equal on a per-unit basis to the distributions made by the Fund on the Fund Units (other than distributions made in Fund Units). Bell Aliant Holdings LP may, in addition, make a distribution at any other time.

Distributable cash of Bell Aliant Holdings LP will represent, in general, its earnings before interest, taxes, depreciation, amortization and certain other items, after: (i) satisfaction of its debt service obligations (principal and interest) under credit facilities or other agreements with third parties; (ii) satisfaction of Bell Aliant Holdings LP's other liabilities and expense obligations; and (iii) retaining reasonable reserves for administrative and other expense obligations and retaining such other reasonable reserves as may be considered appropriate by Bell Aliant Holdings GP.

Holdings Class 1 Exchangeable LP Units

Holdings Class 1 Exchangeable LP Units are intended to be, to the greatest extent practicable, the economic equivalent of Fund Units. Holders of Holdings Class 1 Exchangeable LP Units are entitled to receive distributions or advances from Bell Aliant Holdings LP which are intended to be equal, on a per-unit basis, to the greatest extent practicable, to distributions paid by the Fund to holders of Fund Units (other than distributions made in Fund Units) as described above. Each Holdings Class 1 Exchangeable LP Unit is indirectly exchangeable, together with a GP Share, for one Fund Unit, subject to customary anti-dilution adjustments. See "Other Material Agreements - Investor Liquidity and Exchange Agreement".

Allocation of Net Income and Losses

The income or loss of Bell Aliant Holdings LP as determined pursuant to the Tax Act for a particular taxation year will be allocated to each partner in proportion to the available cash of Bell Aliant Holdings LP distributed or advanced to such partners in respect of such year (other than distributions which are used by the partner to repay prior advances to Bell Aliant Holdings LP). The amount of income allocated to a partner may exceed or be less than the amount of cash distributed or advanced by Bell Aliant Holdings LP to that partner.

Financial Year End

The financial year end of Bell Aliant Holdings LP is December 31.

Transfer of Partnership Units and GP Shares

The limited partnership units of Bell Aliant Holdings LP are transferable only in accordance with the terms of the Bell Aliant Holdings LP Partnership Agreement. Subject to the requirements of applicable securities laws, including any requirements of the TSX (if any), Bell Aliant Holdings LP Units may be transferred subject to the limitations set forth in the Bell Aliant Holdings LP Partnership Agreement, including: no Bell Aliant Holdings LP Units may be transferred to any person (i) that is a Non-Resident, (ii) that is not a Canadian or Canadian-owned and controlled and is not appropriately licensed for purposes of applicable regulatory laws and instruments including the Broadcasting Act, the Radiocommunication Act and the Telecommunications Act (as applicable), or (iii) without the prior approval (as applicable and if then required) of the CRTC under the Broadcasting Act, the Radiocommunication Act or the Telecommunications Act. Any transferee shall become a limited partner and be bound by the Bell Aliant Holdings LP Partnership Agreement.

In addition to the foregoing, the Bell Aliant Holdings LP Partnership Agreement provides that no holder of Holdings Class 1 Exchangeable LP Units will be permitted to transfer such Holdings Class 1 Exchangeable LP Units, other than in connection with the exercise of Exchange Rights or the Liquidity Right under the Investor Liquidity and Exchange Agreement, unless: (i) such transfer would not require that the transferee make an offer to holders of Fund Units to acquire such Fund Units on the same terms and conditions under applicable securities laws, if such Holdings Class 1 Exchangeable LP Units, and all other outstanding Holdings Class 1 Exchangeable LP Units and other outstanding Exchangeable Securities, were converted into Fund Units at the then applicable exchange ratio; or (ii) the offeror acquiring such Holdings Class 1 Exchangeable LP Units makes a contemporaneous identical offer for the Fund Units (in terms of price, timing, proportion of securities sought to be acquired and conditions and at the then current exchange ratio in effect under the Investor Liquidity and Exchange Agreement) and does not acquire such Holdings Class 1 Exchangeable LP Units unless the offeror also acquires a proportionate number of Fund Units actually tendered to such identical offer.

BCE, Bell Canada and their affiliates are permitted to transfer GP Shares and Special Voting Units to affiliates independently of the related Holdings Class 1 Exchangeable LP Units or Bell Aliant Exchangeable LP Units, provided that BCE or Bell Canada directly or indirectly owns 100 per cent of the common shares of such affiliate or, in the case of a limited partnership, BCE or Bell Canada directly or indirectly owns 100 per cent of the common shares of the general partner. Unless the transfer is made to an affiliate of BCE or Bell Canada as contemplated in the preceding sentence, a Holdings Class 1 Exchangeable LP Unit may only be transferred together with the accompanying GP Share and Special Voting Unit.

Amendment

The Bell Aliant Holdings LP Partnership Agreement may be amended with the prior consent of the holders of at least 66 2/3 per cent of the limited partnership units voted at a duly constituted meeting or by a written resolution of partners holding all the Bell Aliant Holdings LP Units which would have been entitled to vote at a duly constituted meeting, except for certain amendments, which require unanimous approval of holders of Bell Aliant Holdings LP Units, including: (i) altering the ability of the limited partners to remove Bell Aliant Holdings GP as general partner; (ii) changing the liability of any limited partner; (iii) changing the right of a limited partner to vote at any meeting; (iv) changing the priority of distributions or

the priority of the distribution of proceeds on liquidation, dissolution or winding up of Bell Aliant Holdings LP; or (v) changing Bell Aliant Holdings LP from a limited partnership to a general partnership.

Notwithstanding the foregoing, no amendment which would adversely affect the rights and obligations of Bell Aliant Holdings GP, as general partner, may be made without its consent, and Bell Aliant Holdings GP may make certain amendments to the Bell Aliant Holdings LP Partnership Agreement without the consent of the limited partners.

Meetings

Bell Aliant Holdings GP may call meetings of partners and will be required to convene a meeting on receipt of a request in writing of the holder(s) of not less than 10 per cent of the outstanding limited partnership units. Each partner is entitled to one vote for each limited partnership unit held.

DESCRIPTION OF BELL ALIANT HOLDINGS GP

General

Bell Aliant Holdings GP is a corporation existing under the laws of Canada which acts as the general partner of Bell Aliant Holdings LP. The Fund and BCE and/or Bell Canada own GP Shares in proportion to their respective holdings of limited partnership interests of Bell Aliant Holdings LP.

Functions and Powers of Bell Aliant Holdings GP

Bell Aliant Holdings GP has, subject to the Securityholders' Agreement, exclusive authority to manage the business and affairs of Bell Aliant Holdings LP, to make all decisions regarding the business of Bell Aliant Holdings LP and to bind Bell Aliant Holdings LP. Bell Aliant Holdings GP is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Bell Aliant Holdings LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. Bell Aliant Holdings GP cannot dissolve Bell Aliant Holdings LP or wind up Bell Aliant Holdings LP's affairs except in accordance with the provisions of the Bell Aliant Holdings LP Partnership Agreement.

Withdrawal or Removal of Bell Aliant Holdings GP

Bell Aliant Holdings GP may resign on not less than 180 days' written notice to the limited partners of Bell Aliant Holdings LP provided that Bell Aliant Holdings GP may not resign if the effect would be to dissolve Bell Aliant Holdings LP.

Bell Aliant Holdings GP may not be removed as general partner of Bell Aliant Holdings LP by the limited partners unless: (i) Bell Aliant Holdings GP has committed a material breach of the Bell Aliant Holdings LP Partnership Agreement, which breach has continued for 30 days after notice thereof, and that removal is also approved by a special resolution (as defined in the Bell Aliant Holdings LP Partnership Agreement); or (ii) the shareholders or directors of Bell Aliant Holdings GP pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding-up of Bell Aliant Holdings GP, or Bell Aliant Holdings GP commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided in each case that certain other conditions are satisfied, including a requirement that a successor general partner with the same ownership and governance structure at the relevant time agrees to act as general partner under the Bell Aliant Holdings LP Partnership Agreement.

DESCRIPTION OF BELL ALIANT LP

The description below is a summary only of the material attributes and characteristics of Bell Aliant LP and the partnership interests of Bell Aliant LP and is qualified in its entirety by reference to the provisions of the Bell Aliant LP Partnership Agreement.

General

Bell Aliant LP is a limited partnership established under the laws of the Province of Manitoba. The general partner of Bell Aliant LP is Bell Aliant GP.

Capitalization

Bell Aliant LP is entitled to issue various partnership interests for such consideration and on such terms and conditions as may be determined by Bell Aliant GP. Bell Aliant LP has issued a nominal value general partnership interest held by Bell Aliant GP, Class A limited partnership units held by Bell Aliant GP and a subsidiary of Bell Aliant GP, and Bell Aliant Exchangeable LP Units held by Bell Canada. Together with its Bell Aliant Exchangeable LP Units, Bell Canada holds an equal number of Special Voting Units.

Distributions

It is intended that Bell Aliant LP will declare distributions (or pay advances in lieu of distributions) to limited partners of Bell Aliant LP's distributable cash as set out below (after nominal distributions to Bell Aliant GP on its general partnership interest) in respect of each month, and pay such distributions or advances on or before the 15th day of the immediately following month. Distributions or advances on the Class A limited partnership units and Bell Aliant Exchangeable LP Units will be made on an equal per-unit basis; provided, however that, for so long as each of the Bell Aliant Exchangeable LP Units and Fund Units are outstanding, Bell Aliant GP shall provide for unequal distributions as between the Bell Aliant Exchangeable LP Units and the Class A limited partnership units so that such distributions on the Bell Aliant Exchangeable LP Units are equal on a per-unit basis to the distributions made by the Fund on the Fund Units (other than distributions made in Fund Units). Bell Aliant LP may, in addition, make a distribution at any other time.

Distributable cash of Bell Aliant LP will represent, in general, its earnings before interest, taxes, depreciation, amortization and certain other items, after: (i) satisfaction of its debt service obligations (principal and interest) under credit facilities or other agreements with third parties; (ii) satisfaction of Bell Aliant LP's other liabilities and other expense obligations; and (iii) retaining reasonable reserves for administrative and other expense obligations and working capital and retaining such other reasonable reserves as may be considered appropriate by Bell Aliant GP.

Bell Aliant Exchangeable LP Units

Bell Aliant Exchangeable LP Units are intended to be, to the greatest extent practicable, the economic equivalent of Fund Units. Holders of Bell Aliant Exchangeable LP Units are entitled to receive distributions or advances from Bell Aliant LP which are intended to be equal, on a per-unit basis, to the greatest extent practicable, to distributions paid by the Fund to holders of Fund Units (other than distributions made in Fund Units) as described above. Each Bell Aliant Exchangeable LP Unit is indirectly exchangeable for one Fund Unit, subject to customary anti-dilution adjustments. See "Other Material Agreements - Investor Liquidity and Exchange Agreement".

Allocation of Net Income and Losses

The income or loss of Bell Aliant LP as determined pursuant to the Tax Act for a particular taxation year will be allocated to each partner in proportion to the available cash of Bell Aliant LP distributed or advanced to such partners in respect of such year (other than distributions which are used by the partner to repay prior advances to Bell Aliant LP). The amount of income allocated to a partner may exceed or be less than the amount of cash distributed or advanced by Bell Aliant LP to that partner.

Financial Year End

The financial year end of Bell Aliant LP is December 31.

Transfer of Partnership Units

The limited partnership units of Bell Aliant LP are transferable only in accordance with the terms of the Bell Aliant LP Partnership Agreement. Subject to the requirements of applicable securities laws, including any requirements of the TSX (if any), limited partnership units of Bell Aliant LP may be transferred subject to the limitations set forth in the Bell Aliant LP Partnership Agreement, including: no limited partnership units of Bell Aliant LP may be transferred to any person (i) that is a Non-Resident, (ii) that is not a Canadian or Canadian-owned and controlled and is not appropriately licensed for purposes of applicable regulatory laws and instruments including the Broadcasting Act, the Radiocommunication Act and the

Telecommunications Act (as applicable), (iii) that is not a corporation licensed under the Broadcasting Act with respect to the broadcasting undertakings and/or broadcasting distribution undertakings of Bell Aliant LP (as applicable and only if then required) and (iv) without the prior approval (as applicable and if then required) of the CRTC under the Broadcasting Act, the Radiocommunication Act and the Telecommunications Act. Any transferee shall become a limited partner and be bound by the Bell Aliant LP Partnership Agreement.

In addition to the foregoing, the Bell Aliant LP Partnership Agreement provides that no holder of Bell Aliant Exchangeable LP Units will be permitted to transfer such Bell Aliant Exchangeable LP Units, other than in connection with the exercise of Exchange Rights or the Liquidity Right under the Investor Liquidity and Exchange Agreement, unless: (i) such transfer would not require that the transferee make an offer to holders of Fund Units to acquire such Fund Units on the same terms and conditions under applicable securities laws, if such Bell Aliant Exchangeable LP Units, and all other outstanding Bell Aliant Exchangeable LP Units and other outstanding Exchangeable Securities, were converted into Fund Units at the then applicable exchange ratio; or (ii) the offeror acquiring such Bell Aliant Exchangeable LP Units makes a contemporaneous identical offer for the Fund Units (in terms of price, timing, proportion of securities sought to be acquired and conditions and at the then current exchange ratio in effect under the Investor Liquidity and Exchange Agreement) and does not acquire such Bell Aliant Exchangeable LP Units unless the offeror also acquires a proportionate number of Fund Units actually tendered to such identical offer.

BCE, Bell Canada and their affiliates are permitted to transfer Special Voting Units to affiliates independently of the related Bell Aliant Exchangeable LP Units or Holdings Class 1 Exchangeable LP Units, provided that BCE or Bell Canada directly or indirectly owns 100 per cent of the common shares of such affiliate or, in the case of a limited partnership, BCE or Bell Canada directly or indirectly owns 100 per cent of the common shares of the general partner. Unless the transfer is made to an affiliate of BCE or Bell Canada as contemplated in the preceding sentence, a Bell Aliant Exchangeable LP Unit may only be transferred together with the related Special Voting Unit.

Amendment

The Bell Aliant LP Partnership Agreement may be amended with the prior consent of the holders of at least 66 2/3 per cent of the limited partnership units voted on at a duly constituted meeting or by a written resolution of partners holding all the limited partnership units of Bell Aliant LP which would have been entitled to vote at a duly constituted meeting, except for certain amendments, which require unanimous approval of holders of limited partnership units of Bell Aliant LP, including: (i) altering the ability of the limited partners to remove Bell Aliant GP as general partner; (ii) changing the liability of any limited partner; (iii) changing the right of a limited partner to vote at any meeting, (iv) changing the priority of distributions or the priority of the distribution of proceeds on liquidation, dissolution or winding up of Bell Aliant LP; or (v) changing Bell Aliant LP from a limited partnership to a general partnership.

Notwithstanding the foregoing, no amendment which would adversely affect the rights and obligations of Bell Aliant GP, as general partner, may be made without its consent, and Bell Aliant GP may make certain amendments to the Bell Aliant LP Partnership Agreement without the consent of the limited partners.

OTHER MATERIAL AGREEMENTS

Administration Agreement

The Fund, Holdings Trust, Bell Aliant Holdings GP and Bell Aliant LP have entered into the Administration Agreement. Under the terms of the Administration Agreement, Bell Aliant LP provides administrative and support services to the Fund, Holdings Trust and Bell Aliant Holdings GP including, without limitation, those necessary to:

- (a) seek to ensure compliance by the Fund with continuous disclosure obligations under applicable securities legislation;
- (b) provide investor relations services;

- (c) provide or cause to be provided to Voting Unitholders all information to which Voting Unitholders are entitled under the Fund Declaration of Trust and applicable laws, including relevant information with respect to financial reporting and income taxes;
- (d) prepare for and hold meetings of Voting Unitholders and distribute or make available required materials, including notices of meetings and information circulars, in respect of all such meetings;
- (e) assist the Fund Trustees in calculating and making distributions to Unitholders;
- (f) attend to all administrative and other matters arising in connection with any redemption of Fund Units, Trust Units or Trust Notes;
- (g) seek to ensure compliance with the Fund's limitations on non-resident ownership;
- (h) attend to all administrative and other matters arising in connection with the conversion, exercise or exchange of Holdings Class 1 Exchangeable LP Units or Bell Aliant Exchangeable LP Units or other Exchangeable Securities including the issuance and delivery of Fund Units, Trust Units and/or Trust Notes in connection therewith; and
- (i) generally, provide all other services as may be necessary or as may be requested by the Fund Trustees, the trustees of Holdings Trust or Bell Aliant Holdings GP, as applicable.

Bell Aliant LP also provides similar services under the Administration Agreement to Holdings Trust and Bell Aliant Holdings GP, in its capacity as general partner of Bell Aliant Holdings LP.

The Administration Agreement has an initial term of 10 years, and will be automatically extended for additional five-year periods unless notice of termination is given by the Fund, Holdings Trust, Bell Aliant Holdings GP or Bell Aliant LP not less than 180 days before expiry of the then-current term. The Administration Agreement may be terminated by a party in the event of the insolvency or receivership of another party, or in the case of default by another party in the performance of a material obligation to the terminating party under the Administration Agreement, with certain exceptions, which is not remedied within 30 days after written notice has been delivered.

Investor Liquidity and Exchange Agreement

Upon completion of the Arrangement, the Fund, Holdings Trust, Bell Aliant Holdings GP, Bell Aliant Holdings LP, Bell Aliant GP, Bell Aliant LP, BCE and Bell Canada entered into an investor liquidity and exchange agreement dated July 7, 2006 (the **Investor Liquidity and Exchange Agreement**). The description below is a summary only and is qualified in its entirety by reference to the full text of the Investor Liquidity and Exchange Agreement.

Exchange Rights

Under the Investor Liquidity and Exchange Agreement, BCE and Bell Canada (or any of their respective assignees) have been granted the Exchange Rights giving them the right, at any time and from time to time, in respect of GP Shares and Holdings Class 1 Exchangeable LP Units and in respect of Bell Aliant Exchangeable LP Units (each pair of one GP Share and one Holdings Class 1 Exchangeable LP Unit, and each Bell Aliant Exchangeable LP Unit, an **Exchangeable Interest**), upon the delivery of an exchange notice by Bell Canada (or its assignee) or BCE (or its assignee), as applicable, to exchange an Exchangeable Interest for Fund Units in accordance with the terms of the Investor Liquidity and Exchange Agreement. One Fund Unit is to be delivered upon exchange of each Exchangeable Interest, subject to customary anti-dilution adjustments.

Liquidity Rights

Under the Investor Liquidity and Exchange Agreement, BCE and Bell Canada (or any of their respective assignees) have been granted the right (the **Liquidity Right**), exercisable at any time and from time to time, to require Bell Aliant Holdings LP or Bell Aliant LP, as applicable, to purchase, in accordance with

the terms of the Investor Liquidity and Exchange Agreement, the number of Exchangeable Interests specified by BCE or Bell Canada (or their respective assignees) (the **Liquidated Interest**) for a cash payment (the **Cash Purchase Price**) in an amount equal to the net proceeds (less any "Selling Expenses" and "Distribution Expenses") of an underwritten offering of the applicable number of Fund Units that would be issuable upon the exchange of such Exchangeable Interests. Exercise of the Liquidity Right is subject to the Fund's ability to undertake such an underwritten offering on terms reasonably acceptable to the Fund Trustees and the board of directors of Bell Aliant Holdings GP and BCE or Bell Canada (as applicable) (or their respective assignees) in an aggregate amount to purchase the Liquidated Interest at the Cash Purchase Price; provided, however, that the Fund will use commercially reasonable efforts to complete, if necessary, such an underwritten offering.

Restrictions on Actions of Fund

Under the Investor Liquidity and Exchange Agreement, the Fund has agreed that it shall not, directly or indirectly, take any of the following actions without the prior written approval of the board of directors of Bell Aliant Holdings GP: (a) make any investment in any person other than Holdings Trust, Bell Aliant Holdings LP and its subsidiary entities as at July 7, 2006; or (b) issue any Fund Units or other securities or repurchase outstanding Fund Units or other securities, other than (i) in connection with the exercise of rights granted to BCE and Bell Canada (and their respective assignees), including the Exchange Right or the Liquidity Right, (ii) pursuant to the redemption right contained in the Fund Declaration of Trust, (iii) a distribution by the Fund in kind in the form of Fund Units (and immediate consolidation) under the Fund Declaration of Trust, or (iv) a redemption or repurchase pursuant to the non-resident ownership limitations contained in the Fund Declaration of Trust; or (c) issue any debt securities (other than to certain members of the Fund Group) or guarantee the indebtedness of any third party.

Demand Registration Rights

The Investor Liquidity and Exchange Agreement provides that the Fund will, upon the written request of Bell Canada or BCE (or their respective assignees), file a prospectus under applicable Canadian securities laws in respect of the distribution of all or part of the Fund Units then held by Bell Canada or BCE (or their respective assignees) or issuable upon exercise of the Exchange Rights, subject to certain restrictions. The Fund is required to use its best efforts to file a prospectus (a **Demand Registration**) in order to permit the offer and sale or other disposition or distribution in Canada of all or any portion of the Fund Units held, directly or indirectly, by Bell Canada or BCE (or their respective assignees) or to be delivered following the exercise by Bell Canada or BCE (or their respective assignees) of the Exchange Rights. The Fund may satisfy its obligations through a shelf prospectus and applicable supplements. The Demand Registration rights are subject to the following limitations: (i) the Fund is not required to effect a Demand Registration during the period ending 120 days after the date of the receipt or other decision document from applicable securities regulators for the Fund's most recent prospectus (other than a shelf prospectus); (ii) the Fund is not required to cause a Demand Registration if two or more Demand Registrations have been completed within the preceding 12 months; and (iii) the Fund is not required to file a Demand Registration unless the anticipated gross proceeds from the distribution will be not less than \$50 million.

Fund Participation

The Fund may elect to include authorized but unissued Fund Units in any prospectus filed pursuant to a Demand Registration request unless Bell Canada or BCE (or their respective assignees) or its underwriter or agent determines, acting reasonably, that including such Fund Units in the distribution qualified by such prospectus would adversely affect Bell Canada's or BCE's (or their respective assignees') distribution; provided, however, that such inclusion will be permitted only to the extent that the Fund agrees to and the Fund Units are sold pursuant to, and subject to the terms of, the underwriting agreement or arrangements entered into by Bell Canada or BCE (or their respective assignees).

Piggy-Back Registration Rights

The Investor Liquidity and Exchange Agreement also provides Bell Canada and BCE (or their respective assignees) with "piggy-back" registration rights, subject to certain restrictions, requiring the Fund to qualify for distribution under applicable securities laws all or any portion of the Fund Units owned, directly or

indirectly, by Bell Canada or BCE or issuable upon exercise of the Exchange Rights in the event that the Fund proposes to file a prospectus to qualify Fund Units for distribution.

Co-operation on Spin-Off

The Fund, Holdings Trust, Bell Aliant Holdings LP, Bell Aliant LP and their subsidiaries have agreed that, at the request of BCE, they will co-operate and reasonably assist Bell Canada and BCE if BCE wishes to distribute Fund Units to its shareholders, including without limitation by filing a prospectus or providing prospectus-level disclosure concerning the Fund, Holdings Trust, Bell Aliant Holdings LP, Bell Aliant LP and their subsidiaries in a proxy circular relating to any such distribution.

Securityholders' Agreement

Upon completion of the Arrangement, the Fund, Holdings Trust, Bell Aliant Holdings GP, Bell Aliant Holdings LP, Bell Aliant GP, Bell Aliant LP, BCE and Bell Canada entered into a securityholders' agreement dated July 7, 2006 (the **Securityholders' Agreement**) which provides for, among other things, the size and composition of the boards of directors of Bell Aliant Holdings GP and Bell Aliant GP, the size of and nominees for election to the board of Fund Trustees, and certain other governance matters.

The following is a summary only of and is qualified in its entirety by reference to the full text of the Securityholders' Agreement.

Board of Directors of Bell Aliant Holdings GP

The Securityholders' Agreement provides that the number of directors of Bell Aliant Holdings GP will be between 11 and 15, with the number of directors to be fixed from time to time by the board of Bell Aliant Holdings GP. Currently the board of directors of Bell Aliant Holdings GP consists of 11 directors.

BCE and its affiliates are entitled to appoint up to a majority of the directors of Bell Aliant Holdings GP for so long as BCE, directly or indirectly, holds not less than 30 per cent of the Fund Units on a fully-diluted basis and the Major Commercial Agreements are in place. If the Major Commercial Agreements are terminated by any of the parties thereto in accordance with their terms, or if BCE and its affiliates, directly or indirectly, hold less than 30 per cent of the Fund Units on a fully-diluted basis, BCE is entitled to appoint its proportionate share of the directors of Bell Aliant Holdings GP (rounded up to the next whole number) based on its fully-diluted direct and indirect ownership of Fund Units. In any event, BCE is entitled to nominate two directors to the board of Bell Aliant Holdings GP for as long as the Major Commercial Agreements are in place, irrespective of its ownership interest in the Fund (on a fully-diluted basis). The BCE nominees to the board of Bell Aliant Holdings GP may be directors, officers or employees of BCE or its affiliates. The Fund is entitled to appoint the balance of the directors of the board of Bell Aliant Holdings GP. If the chair of the board is not independent (as defined in National Instrument 52-110 – *Audit Committees*), a lead independent director will also be appointed.

Committees of the Bell Aliant Holdings GP Board

The Securityholders' Agreement provides that the board of Bell Aliant Holdings GP will establish an audit committee consisting of between three and five members appointed by the board of Bell Aliant Holdings GP. The board of Bell Aliant Holdings GP may also establish such other committees as it may determine from time to time. BCE is entitled to designate one member of the audit committee for so long as BCE, directly or indirectly, holds not less than 20 per cent of the Fund Units on a fully-diluted basis. For more information about the committees of the board of Bell Aliant Holdings GP, see "Directors and Officers".

Fund Trustees

The persons to be elected as Fund Trustees will be nominated by the board of Bell Aliant Holdings GP and will be elected by Voting Unitholders in accordance with the Fund Declaration of Trust. The number of Fund Trustees from time to time shall, within the range provided by the Fund Declaration of Trust, be as determined by the board of Bell Aliant Holdings GP. The principles set forth in the Securityholders' Agreement relating to the composition of the board of Bell Aliant Holdings GP shall also apply to the selection of nominees for election as Fund Trustees.

Boards of Directors and Trustees of Other Entities

The Securityholders' Agreement provides that the boards of directors and trustees of each of Holdings Trust, Bell Aliant GP and each material entity within the structure of the Fund shall be the same as the board of Bell Aliant Holdings GP (unless the parties agree otherwise).

BCE Approval for Certain Matters

The Securityholders' Agreement provides that, for so long as BCE, directly or indirectly, holds not less than 20 per cent of the Fund Units on a fully-diluted basis, the Fund and its subsidiaries (including Holdings Trust, Bell Aliant Holdings LP, Bell Aliant Holdings GP, Bell Aliant GP, Bell Aliant LP and BNG) shall not, directly or indirectly, without the affirmative vote of a majority of the board of Bell Aliant Holdings GP and the written consent of BCE:

- (a) enter into any merger, amalgamation, consolidation, business combination, joint venture, arrangement, reorganization or other material corporate transaction, including acquisitions, having a value in excess of \$200 million;
- (b) sell, assign, lease, convey, exchange or otherwise dispose of assets having a value in excess of \$200 million;
- (c) take, or permit to be taken, any action that would prevent its affairs or business, as it then exists, from continuing on an ongoing basis in the ordinary course;
- (d) appoint or remove any Chief Executive Officer, and BCE shall have the ability to nominate a candidate for consideration by the relevant board of directors or an appropriate committee thereof;
- (e) take any action which could reasonably be expected to result in a material change in the nature of the business of the members of the Fund Group taken as a whole;
- (f) incur debt (including guarantees) such that at the consolidated level debt would be in excess of 2.5 times EBITDA as defined in the Securityholders' Agreement at the time of incurrence;
- (g) enter into any material commercial agreements with any "Competitor" of BCE or Bell Canada (as such term is defined in the Major Commercial Agreements from time to time), other than ordinary course agreements and agreements that are required by applicable regulatory authorities;
- (h) approve any business plan; or
- (i) make any commitment or agreement to do any of the foregoing.

The Securityholders' Agreement provides that, for so long as BCE has the rights described above, the sole business or investment activity of the Fund shall be to hold the securities of Holdings Trust and Bell Aliant Holdings GP, the sole business or investment activity of Holdings Trust shall be to hold the securities of Bell Aliant Holdings GP and Bell Aliant Holdings LP, and all business and investment activities shall occur at Bell Aliant Holdings LP or entities owned, directly or indirectly, by Bell Aliant Holdings LP, unless BCE otherwise agrees.

Pre-Emptive Rights

The Securityholders' Agreement provides that if any of the Fund, Holdings Trust, Bell Aliant Holdings GP or Bell Aliant Holdings LP, Bell Aliant GP or Bell Aliant LP or any of their subsidiaries authorizes the issuance of additional units, shares or partnership units or securities convertible into Fund Units, shares or partnership units, respectively, then it shall offer to sell to BCE or Bell Canada such units, shares, partnership units or convertible securities (as the case may be) in proportion to BCE's and Bell Canada's then current direct or indirect fully-diluted ownership of Fund Units. BCE or Bell Canada may exercise the

pre-emptive right by either purchasing additional Fund Units or purchasing additional shares or partnership units or convertible securities, as it determines.

This pre-emptive right also applies in respect of the issuance of debt securities by the Fund, Holdings Trust, Bell Aliant Holdings GP, Bell Aliant Holdings LP, Bell Aliant GP, Bell Aliant LP or any of their Subsidiaries.

RISK FACTORS

Certain risk factors relating to Bell Aliant Holdings LP are described below. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF and in Bell Aliant Holdings LP's audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2006. These risks and uncertainties are not the only ones facing Bell Aliant Holdings LP. Additional risks and uncertainties not currently known to Bell Aliant Holdings LP, or that are currently considered immaterial, may also impair the operations of Bell Aliant Holdings LP. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of Bell Aliant Holdings LP, and the ability of Bell Aliant Holdings LP to make distributions on the Bell Aliant Holdings LP Partnership Units, could be materially adversely affected.

Risk management is fundamental to the long term success of any organization. For us, risk is defined as the level of exposure to uncertainties that the enterprise must understand and effectively manage as we execute our strategies to achieve our business objectives and create value for our stakeholders. We employ an integrated, enterprise-wide framework to identify, assess and manage the risks across the organization.

Risks Relating to the Business

Ability to Achieve Strategies and Plans

Annually we establish our business objectives and key strategic initiatives under a broad strategy of utilizing our strengths of service, value and community involvement to grow our business to deliver strong cash flows and returns for our stakeholders. We operate in an increasingly competitive marketplace, with competition emerging from VoIP providers, cable television operators and system integrators. The strategic initiatives will have a wide-reaching impact, transforming our customer interactions, our internal processes, our network and our people. If we are unable to attain these initiatives on a timely basis or achieve the desired effect, we may be unable to meet our business objectives. As a result, our financial performance, including our growth prospects, could be negatively affected.

Our plans are also to bring the existing businesses of the Bell Nordiq Partnerships and, if Bell Aliant LP's offer to acquire the units of Amtelecom is successful, Amtelecom under the Fund Group structure and to realize operating synergies through elimination of certain public reporting issuer costs and combination of common activities as appropriate to our overall business strategy. The combination of existing businesses is a complex task, and there is a risk that the synergies anticipated will not be realized or, if realized, may be delayed compared to our expectations. As a result, our financial performance could be negatively affected.

Further, the plans to sell the assets of Aliant Directory Services and utilize the proceeds to fund the NCIB are subject to a number of risks and uncertainties that include, but are not limited to: finalization of definitive agreements with Yellow Pages Group; satisfaction of all conditions precedent to closing under those agreements; utilization of existing tax losses and other tax deductions to shelter any gains on the sale; and timing of purchases of Fund Units through the facilities of the TSX and the price of those purchases.

There is also a risk that, should the pace of our FTTN roll-out be slower than currently contemplated in our business plan, our broadband Internet churn rate could increase beyond our current expectations, thereby adversely affecting our expected number of Internet subscribers and revenues in 2007. The success of the roll-out of our IPTV product to a greater footprint is also dependent on the pace of this

build. The pace of FTTN roll-out may be affected by such general risks as weather, supply chain availability and labour relations.

We are continuing to implement several productivity improvements and initiatives to reduce costs while containing our capital expenditures. Our objectives for cost reduction/productivity improvements and synergies from the creation of the Fund are aggressive and there is no assurance that these initiatives will be successful in reducing costs. There would be a material and negative effect on our profitability if factors, such as increasing competition or regulatory actions, result in lower revenues and we cannot reduce our expenses at the same rate.

General Economic Conditions

There are trends and factors beyond our control that affect our operations and business. Such trends and factors include adverse changes in the conditions in the specific markets for our products and services, the conditions in the broader market for telecommunications services and the conditions in the domestic or global economy generally.

Our performance, and the degree to which our expectations regarding future events are realized, is affected by the general condition of the economy, with demand for services and the amount of use tending to decline when economic growth and retail activity decline. Any slowdown in global economic activity could make the overall economic environment more uncertain and could have an important impact on the performance of the Canadian economy, and the realization of our expectations. It is not possible to accurately predict economic fluctuations and the impact of such fluctuations on our performance.

Increasing Competition

In a series of decisions beginning in the late 1970s and ending in 1998, the CRTC opened up competition in all product and services segments in which we operate. The CRTC has also imposed a number of competitor safeguards and marketing restrictions on the operations of our telecommunications business. We therefore face competition for most of the services we provide, with Atlantic Canada having among the most competitive telecommunications markets in North America for local residential service.

In addition to the competition that has existed in parts of Atlantic Canada for several years, recently other competitors have launched competing services or announced their ability or intention to offer local telephony services in other parts of the territories we serve.

Our strategy includes enhancing services and packages to create compelling value, innovating with customers to provide complete ICT solutions, improving our cost structure to enable greater price competitiveness, and expanding our IP network and capabilities to provide broader access and innovative solutions. Competition, and particularly changes in the competitive landscape, can place these strategies at risk. Increased competition and the introduction of new services by competitors may have an impact on our expected growth or on the pricing of our current services that cannot be predicted.

The competitive footprint served by cable TV competitors may evolve more quickly, and eventually to a larger proportion of our existing territory than we currently expect. If this occurs, our market share and revenues will be negatively impacted.

Local and long distance

In 2006, new competitors began offering local telephone service in a large portion of our marketplace. These competitors have the ability to offer four-services bundles, consisting of telephone, Internet, wireless and TV. Cable competitors are free from telecom regulation and are able to offer local service in unregulated bundles priced to gain market share. We are vigilant and passionate about our customers and continue to pursue their business by 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 by certain

customers. 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. Also, the upcoming freedom to transfer telephone numbers between wireless carriers in Canada and between wireline and wireless services may further affect our local and long distance revenues.

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 such as 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.

Internet

Internet penetration continues to grow 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 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.

Changing Regulations

Overall Regulatory Environment

The business carried on by Bell Aliant Holdings LP is affected by decisions made by the CRTC. Regulatory changes concerning the rates charged and the terms and conditions offered for price-regulated services influence the operating procedures, costs and revenues of Bell Aliant Holdings LP. The outcome of future regulatory proceedings could have an impact on Bell Aliant Holdings LP's ability to compete effectively and on future revenues and costs.

Telecommunications Policy Review Panel

The Telecommunications Policy Review Panel (**TPR Panel**), established by the Federal government on April 11, 2005, delivered its report (the **TPR Report**) to the Minister of Industry on March 22, 2006 calling for fundamental reform of the Canadian telecommunications regulatory framework.

Policy Direction

On June 13, 2006, the Minister of Industry tabled in Parliament a proposed policy directive to be issued by the Cabinet to the CRTC. On December 14, 2006, the policy direction issued by the Cabinet to the CRTC came into effect. The policy direction calls on the CRTC to "rely on market forces to the maximum extent feasible" and to design regulations that "interfere with the operation of competitive market forces to the minimum extent possible". The CRTC is bound to follow the policy direction in making its decisions; however, the direction is general in nature and does not direct the CRTC to reach any particular outcomes on specific files.

Local Services Forbearance

In April 2004, Aliant Telecom filed an application with the CRTC requesting it to remove price regulation of local residential telephone services in certain areas of Nova Scotia and Prince Edward Island where there is significant local residential competition for these services.

In CRTC Telecom Decision 2006-15 issued on April 6, 2006, the CRTC established a framework upon which it will grant forbearance from regulation of local services, based on the application of five criteria (including a market share loss component). The CRTC determined that Aliant Telecom did not meet all five criteria required before forbearance is granted and dismissed Aliant Telecom's 2004 application.

Bell Aliant LP sought leave to appeal Decision 2006-15 in the Federal Court of Appeal. Leave was granted on September 22, 2006. Bell Aliant LP, together with Bell Canada and others, also petitioned the Governor in Council asking that the matter of local forbearance be referred back to the CRTC for reconsideration on the basis that, among other things, the criteria for forbearance of local services were contrary to the spirit of the TPR Report.

In response to the petition to the Governor in Council, on December 11, 2006, the Minister of Industry (Canada) announced that the federal government was proposing to change the rules for deciding when retail local telephone services will be forborne from certain price regulation. In his announcement, the Minister proposed to vary CRTC Decision 2006-15 by (i) establishing a forbearance test which is based on the presence of competitors, and not on market shares, in smaller geographic areas; and (ii) amending the forbearance criteria related to meeting certain quality of service indicators for ILEC's wholesale services. The proposed order would also streamline the forbearance process, eliminate the winback and promotional restrictions in forborne and non-forborne areas and eliminate three other criteria for forbearance including the requirement for access to operational support systems, the filing of competitor tariffs and evidence of rivalrous behaviour. The proposed variance of the CRTC decision was subject to a 30-day public comment period which concluded January 15, 2007, and we are now awaiting the outcome. Although the Minister's announcement was welcomed by Bell Aliant LP, there can be no assurance that the proposed variation of the CRTC decision will be implemented as described, or at all. If the CRTC's decision is not sufficiently varied, Bell Aliant LP may continue to be restricted in the execution of its strategies to compete effectively in certain markets.

Deferral Account

In the 2002 Price Cap Decision, the CRTC established deferral accounts to address concerns that ILEC price decreases for residential services based on the price cap formula would negatively affect competition. The CRTC ordered ILECs to allocate the amount that would otherwise have been granted as annual price reductions into this notional account.

In a decision released on February 16, 2006, the CRTC estimated each ILEC's deferral account amounts, both the accumulated balance and future annual obligation, as of May 31, 2006.

In a later 2006 decision, the CRTC made the following orders to clear the accumulated balances in the deferral accounts:

- each ILEC is to allocate a minimum of 5 per cent of the accumulated balance in its deferral account to improve access to telecommunications services for persons with disabilities; and
- as to the remaining 95 per cent, the CRTC addressed both broadband service investments and subscriber rebates. The CRTC concluded that each ILEC could use funds in its deferral account for initiatives to expand broadband services to rural and remote communities. ILECs which choose to invest in broadband were required to file a proposal with the CRTC by September 1, 2006 for approval to draw down qualified expenditures from their deferral accounts. If an ILEC chose not to invest in broadband expansion, or invested in such expansion but had a balance remaining in its deferral account, the remaining funds will be rebated to the ILECs' residential subscribers in non-high cost serving areas.

This decision also stipulates that ILECs' future annual deferral account obligations are to be eliminated by reducing monthly prices for primary exchange service and optional local services for residential customers in non-high cost serving areas. ILECs were directed to file their rate proposals by May 15, 2006 and implement them on June 1, 2006. Finally, CRTC Decision 2006-9 noted that the extension of the Second Price Cap Period to May 31, 2007 will result in an additional annual deferral account obligation.

On May 15, 2006, Aliant filed with the CRTC its updated deferral account balances and included a proposal to clear the accumulated balance in its deferral account. Due to a higher than anticipated demand for competitor digital network services and the corresponding increase in related draw downs from the deferral account, Aliant's filing indicated that its accumulated balance had decreased from the CRTC's earlier estimate of \$21.8 million to \$8.2 million, and the annual deferral account obligation had

decreased from \$2.2 million to \$(3.2) million. As Aliant proposed to clear the accumulated balance in its deferral account by partially off-setting the annual recurring shortfall, Aliant did not include broadband investment as part of its proposal but did include investments to improve access to telecommunications services for persons with disabilities. Due to a subsequent CRTC decision on the Service Improvement Plan, Aliant's current balance as of May 31, 2006, in the operating territory of the former Aliant Telecom stands at \$8.3 million with a recurring obligation amount as of June 1, 2006 of \$(3.2) million. These amounts have not yet been approved by the CRTC. On February 15, 2007, the Commission directed ILECs to cease applying certain charges associated with configurations involving Competitor Digital Network services and provide refunds consistent with their Terms of Service. This decision will affect our deferral account balance; however, the impact is not yet known.

On November 30, 2006, the CRTC issued Public Notice 2006-15 initiating a proceeding to look at the proposals put forth by the ILECs with respect to the disposal of the balances in their respective deferral accounts. This includes proposals to use funds from Bell Canada's deferral account for initiatives to expand broadband services to communities within the Fund Group's operating territory in Ontario and Québec. Bell Canada and Bell Aliant LP will cooperate to determine how to effectively complete any such initiatives that may be approved by the CRTC and Bell Aliant LP has agreed to contribute towards the associated costs of such initiatives if it is economically justified for Bell Aliant LP and appropriate to do so.

The CRTC has not decided whether it will accept Bell Aliant LP's proposal concerning the disposition of the accumulated balance in its deferral account. Various ILECs, as well as, separately, several consumer groups, have sought leave to appeal CRTC Decision 2006-9 to the Federal Court of Appeal. Whether such appeals will be successful, or if successful, whether they would be expected to have a positive or negative impact on Bell Aliant LP's deferral account obligations, cannot be determined at this time.

Current Price Cap Regime Extended

Current price cap rules applicable to Bell Aliant LP and other ILECs that were scheduled to expire in 2006 under the CRTC Price Cap Decision of May 2002, have been extended for 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.

On May 9, 2006, the CRTC commenced a price cap review to replace the existing framework that ends May 31, 2007. This framework applies to a number of services that have not been forborne from price regulation. On July 10, 2006, Bell Aliant LP, along with Bell Canada and Saskatchewan Telecommunications, filed a pricing framework proposal which reflects the dramatic changes that have taken place in the telecommunications industry. The proposed framework would come into effect on June 1, 2007, and apply for a period of two years. This proposal seeks no regulatory limits on price increases in areas where services are available over alternative facilities, allowing consumers and competition in these areas to drive market prices. In areas where alternative facilities are not available, it proposes that service prices remain subject to regulation with upward pricing capped, on average, at current levels. The CRTC intends to issue a decision on this proceeding by April 30, 2007. The proposal put forward by Bell Aliant LP may not be accepted by the CRTC and the outcome of the review process could negatively affect Bell Aliant Holdings LP.

Review of Wholesale Services

As required by the government's policy direction, the CRTC is currently reviewing the regulatory regime applicable to wholesale services. More specifically, the CRTC is examining the definition of "essential services" and reviewing the classifications and pricing principles for all wholesale services provided by ILECs, competitive local exchange carriers, and cable companies to competitors. The outcome of this review is not expected until 2008 and its impact on Bell Aliant LP cannot be determined at this time.

On January 25, 2007, the CRTC issued orders directing Bell Aliant LP in Atlantic Canada to substantially modify its tariffs for wholesale Ethernet and ADSL access and transport services. On February 16, 2007, Bell Aliant LP and Bell Canada jointly filed a 'review and vary application' with the CRTC requesting a stay and ultimate rescission of the orders. Bell Aliant LP is arguing that the CRTC made a series of errors in law, jurisdiction and policy, and that an immediate stay should be granted to prevent irreparable harm

to the companies, and that it is appropriate to rescind the orders in light of proceedings initiated by the CRTC to review the regulatory framework for wholesale services and definition of essential services.

VoIP Appeal

In CRTC Telecom Decision 2005-28 (the **VoIP Decision**) the CRTC determined that the VoIP services of ILECs will be regulated in the same way as traditional telephone services, and be subject to certain restrictions on marketing, promotions and bundling. In conjunction with other ILECs, Aliant Telecom and Télébec LP filed a petition with the Governor in Council seeking fundamental change to the VoIP Decision so as to eliminate price regulation of their VoIP services. The petition emphasized that VoIP is a different service than traditional landline access service and that the CRTC's approach to regulating VoIP would ultimately harm innovation and competition in Canada.

On May 4, 2006, the Governor in Council referred the VoIP Decision back to the CRTC for reconsideration in light of increased demand for VoIP services, changes to the regulatory environment since the original decision, and the recommendations of the TPR Panel (which recommended reliance on market forces to the maximum extent feasible as the means of achieving Canada's telecommunications policy objectives). In CRTC Telecom Decision 2006-53, issued on September 1, 2006, the CRTC reaffirmed the regulatory regime for local VoIP services established in CRTC Telecom Decision 2005-28. The CRTC confirmed that provision of VoIP services by ILECs would be regulated while competitive carriers, including large cable carriers, would be permitted to provide these same services without rate regulation. On November 15, 2006, the Governor in Council announced that it was varying the VoIP Decision by requiring the CRTC to forbear from price regulation of "access-independent" VoIP. As a result, the CRTC must refrain from price regulation of "access independent" VoIP services. While this ministerial intervention and reduced regulatory burden is positive for Bell Aliant Holdings LP, the regulatory treatment of other VoIP services will depend on the outcome of the local forbearance and price cap decisions discussed above. Any continued regulation could negatively affect Bell Aliant Holdings LP's future revenue potential.

Quality of Service (QoS) Exclusion Decision

On May 16, 2006, the CRTC ruled that only 50 per cent of the impact of the former Aliant Telecom 2004 work stoppage could be excluded from the QoS Rate Adjustment Plan.

On July 08, 2006, the Federally Regulated Employers – Transportation and Communications filed a petition to the Governor-in-Council arguing the Commission intruded into the stable environment currently in place in Canada's labour market and requested that the Governor in Council reconsider the decision.

On August 4, 2006, we filed an application with the CRTC asking it to review and vary its decision on the basis that 50 per cent was an arbitrary level, that the decision found fault by the former Aliant Telecom where no evidence supported fault, and that the CRTC has no mandate to determine labour relations matters. The CRTC has not yet ruled on this application.

CRTC Subsidy Regime

In January 2001, the CRTC established a subsidy regime to compensate local service providers for a certain portion of costs incurred in serving high-cost serving areas. Under this regime, a revenue percent charge is levied on all telecommunications service providers with annual Canadian telecommunications services revenues of more than \$10 million. This charge is levied on the Fund Group, which also receives compensation from this subsidy pool. This charge is determined by the CRTC through a calculation that takes into account the shortfall incurred in serving high-cost service areas. The funds are collected and distributed by a central fund administrator. Management anticipates that Bell Aliant Holdings LP will be a net beneficiary of the subsidy regime. The subsidy received by each local service providers is based on the shortfall between revenues collected in high-cost serving areas and the cost of providing service in those areas as calculated in accordance with the CRTC's prescribed rules. The amount of subsidy received by each local service providers is updated annually and takes into account:

- (i) the annual costs of the ILEC's Service Improvement Plan ("**SIP**") for high-cost serving areas;

- (ii) an adjustment of inflation minus the annual productivity offset of 3.5 per cent of the annual costs (excluding SIP costs); and
- (iii) current rate levels.

The revenue percent charge and the amount of subsidy to be received in the following year are set out annually by the CRTC. The outcome of future decisions regarding the revenue percent charge and the amount of subsidy to be received could have an impact on Bell Aliant Holdings LP's ability to compete effectively and on future telecommunications revenues and costs.

Reliance on Systems

We are reliant on systems as they enable the provision of services to customers, and the management of customer relationships, billings and inventory. These systems are made up of many integrated parts consisting of cable, equipment, buildings and towers, IT equipment, IT software and related data. Operations depend on how well these components are protected 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 operations to be shut down indefinitely. Our operations also depend on timely replacement and maintenance of our networks and equipment. 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, as well as labour disruptions, bankruptcies, technical difficulties or other events affecting the networks of these other carriers, could be detrimental to both customer relationships and operating results.

To mitigate the impact of this risk, we have developed disaster recovery plans, including redundancies that have been built into the network to reduce network downtime arising from natural and other disasters; however, there can be no assurance that these plans will be effective.

In addition, many aspects of our business depend to a large extent on various IT systems and software, which must be improved and upgraded regularly and replaced from time to time. Implementing system and software upgrades and conversions is a very complex process, which may have several adverse consequences including billing errors and delays in customer service. Should adverse consequences occur, these events could significantly damage our customer relationships and business and have a material and negative effect on our results of operations.

Changing Technology

The telecommunications industry is impacted by rapidly evolving technology and the related changes in customer demands, products and service capabilities, and prices. Technological developments are also shortening product life cycles and facilitating convergence of different segments of the increasingly global information industry. Specifically, VOIP, substitution of wireline services with wireless, and other evolving technologies will increase the competition we face and could negatively affect future revenues. Our future success will be impacted by our ability to anticipate, invest in, and implement new technologies with the service level and prices that customers demand. Technological advances may also affect our cash flow by shortening the useful life of some of our assets. There can be no assurance that our existing technologies will satisfy future customer needs, that our existing technologies will not become obsolete in light of future technological developments, or that we will not have to make additional capital expenditures to upgrade or replace our technology. In addition, technological advances may well emerge that could reduce the costs of plant and equipment, thereby facilitating entry by potential competitors.

We periodically assess the useful lives of our capital investments in light of our expectations of technological advances and make changes as required.

Expenditures, Capital and Demand for Services

As we update our networks, products and services to remain competitive, we may be exposed to incremental financial risks associated with newer technologies that are subject to accelerated obsolescence. To the extent that we fail to make the expenditures on new and existing capital programs,

we may cease to be competitive. However, if such capital expenditures are made, we may risk incurring substantial expenditures to acquire assets with little commercial or economic value.

An increasingly important driver for network and infrastructure investments is the growth of Internet traffic. This traffic is driven by residential and business Internet usage and has overtaken the volume of voice telephony traffic on many routes. It is uncertain to what extent this traffic will continue to exhibit high growth rates as high-speed Internet services are deployed and bandwidth intensive applications, such as video, are increasingly downloaded by users.

Relationship with Bell Canada; Allocation of Business Opportunities

Bell Canada and certain of its affiliates have substantial global operations and greater financial, technical and operational resources than the Fund Group. The Fund Group and Bell Canada have entered into a series of long-term commercial agreements which provide the Fund Group with a broad range of technical, operational and human resources support services required for it to operate the wireline and Internet access operations previously operated by Bell Canada in the Ontario and Québec regional territory (the **Bell Partnership Territory**). The commercial agreements impose general obligations on Bell Canada and its affiliates to satisfy their requirements and their customers' requirements for telecommunication services (other than for mobile wireless services and satellite broadcasting services) in the Bell Partnership Territory and the Atlantic Provinces from or through the Fund Group (excluding the Bell Nordiq Partnerships) or its affiliates. Likewise, the commercial agreements impose general obligations on the Fund Group and its affiliates (excluding the Bell Nordiq Partnerships) to satisfy their requirements and their customers' requirements for mobile wireless services and satellite broadcasting services in Canada and for telecommunications services in Bell Canada's operating territory, from or through Bell Canada or its affiliates. Further, the Commercial Relationship Management Agreement provides the Fund Group with the exclusive right to offer in the Bell Partnership Territory and the Atlantic Provinces all new products and services (other than mobile wireless services and satellite broadcast services) offered by Bell Canada or its affiliates in the Bell Canada operating territory.

The Commercial Relationship Management Agreement automatically terminates upon termination or expiration of the Connecting and Operating Agreement. The Connecting and Operating Agreement sets out the terms and conditions upon which the parties agree to interconnect their respective telecommunications systems for the exchange of telecommunications traffic. It has an original term of 15 years from July 7, 2006 and automatically renews for consecutive five year periods, unless notice of non-renewal is provided. However, the Connecting and Operating Agreement may be terminated for material breach at any time by a party if the parties mutually agree, or a court or arbitrator makes a final and unappealable determination, that the other party has materially breached the agreement and has not cured the breach within 60 days.

The Connecting and Operating Agreement and the Commercial Relationship Management Agreement between the Fund Group and Bell Canada may be terminated by Bell Canada in the event that, without Bell Canada's prior consent, a competitor of Bell Canada acquires, directly or indirectly, more than 30 per cent of the Fund Group or *de facto* control of the Fund Group or its business. Bell Canada is entitled to terminate, at its discretion, its provision of many services to the Fund Group in circumstances where Bell Canada is ceasing to offer the corresponding services to its customers. Where Bell Canada terminates any services in this manner, each party shall be responsible for its own costs which result therefrom. Further, Bell Canada is entitled to terminate at its discretion many of the commercial agreements by giving two years prior notice of its intention to terminate the relevant commercial agreement, provided that such notice is not given prior to a fixed date, which is generally July 7, 2011.

In the event that the Commercial Relationship Management Agreement were to terminate, Bell Canada, the Fund Group and their respective affiliates or operating companies could thereafter compete with each other, and the Fund Group would no longer have the exclusive right to offer in its operating territory new products and services offered by Bell Canada or its affiliates. In the event Bell Canada terminates its provision of services to the Fund Group, the Fund Group may need to find alternate providers of such services or to self-provide such services. This may require incurring incremental costs by the Fund Group.

The access by the Fund Group to technical, operational and human resources from Bell Canada and its affiliates under a number of commercial agreements is not exclusive and there is no guarantee that

current arrangements will continue to be available indefinitely in their present form or that the conditions under which these resources have been secured will not change.

Pension Plan Funding

Certain of our subsidiary entities maintain DB pension plans that have solvency funding deficiencies. The plans are exposed to general future valuation risk and required funding levels for 2007 and beyond may change as required actuarial valuations are completed. If the return on plan assets, interest on the obligation, or actual experience of the plans are better or worse than anticipated, valuations can result in either lower or higher minimum required contributions.

Pension funding relief measures introduced in the May 2006 Federal Budget increased the funding period of solvency deficits from five years to ten years under certain conditions. We estimate that adopting the new pension regulations, which were enacted in November 2006, will reduce our required contributions in 2007 by approximately \$20 million.

Higher cash contributions are gradually leading toward an improved funding position for our DB pension plans. As this occurs, management is 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' funded position. As well, most of our DB pension plans are closed to new entrants, placing a cap on the future growth of these obligations.

Liquidity Risk

If actual results differ from our expectations or if the assumptions in our business plan change, we may have to raise more funds than expected by issuing debt, raising equity capital, or selling or otherwise disposing of assets. Financing through equity offerings would dilute the holdings of existing equity investors. An increased level of debt financing could lower our credit ratings, increase our borrowing costs and give us less flexibility to take advantage of business opportunities.

Our ability to raise financing depends on our ability to access the capital markets and the commercial loan market. The cost of funding depends largely on market conditions, and the outlook for our business and credit ratings at the time capital is raised. If our credit ratings are downgraded, our cost of funding could significantly increase. In addition, participants in the capital and commercial loan markets have internal policies limiting their ability to invest in, or extend credit to, any single borrower or group of borrowers or to a particular industry.

If we cannot raise the capital we need, we may have to limit our ongoing capital expenditures, limit our investment in new businesses, or sell or otherwise dispose of assets. Any of these possibilities could have a material and negative effect on our cash flow from operations and growth prospects.

Leverage and Restrictive Covenants

We have debt service obligations in connection with the trust indentures for the issuance of debt by our operating subsidiaries and in their respective lines of credit. The degree to which we are leveraged could have important consequences including:

- our ability to make distributions may be limited if we are unable to meet the financial tests provided in these indentures and lines of credit;
- our ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future is limited by the restrictive covenants of these indentures and lines of credit;
- a substantial portion of our cash flow from operations may be dedicated to the payment of the principal and interest on indebtedness, thereby reducing funds available for future operations;
- certain of our borrowings are at variable rates of interest, which exposes us to the risk of increased interest rates; and
- we may be more vulnerable to economic downturns and be limited in our ability to withstand competitive pressures.

These trust indentures and lines of credit also contain restrictive covenants that limit management's discretion with respect to certain business matters. Although we are currently in compliance with our restrictive covenants, failure to comply with the obligations in the trust indentures and lines of credit could result in a default that may require Bell Aliant Holdings LP and its subsidiary entities to repay its debt in full.

BCE's Governance Rights

In connection with the Arrangement, the Fund and other members of the Fund Group entered into the Securityholders' Agreement with BCE and Bell Canada. Pursuant to the terms of the Securityholders' Agreement, the Fund and its operating entities must obtain BCE's consent prior to entering into various transactions such as, among other things, certain mergers, joint ventures, acquisitions, asset sales and other material transactions. In addition, BCE and its affiliates have certain rights with respect to the appointment of directors of Bell Aliant Holdings GP and Bell Aliant GP and the nomination of trustees of the Fund. BCE and its affiliates are entitled to appoint up to a majority of the directors of each of Bell Aliant Holdings GP and Bell Aliant GP and nominate a majority of trustees of the Fund for so long as BCE, directly or indirectly, holds not less than 30 per cent of the Fund Units on a fully-diluted basis and certain commercial agreements between Bell Canada and the Fund Group are in place. If such commercial agreements are terminated by any of the parties thereto in accordance with their terms or if BCE and its affiliates, directly or indirectly, hold less than 30 per cent of the Fund Units on a fully-diluted basis, then BCE will be entitled to appoint its proportionate share of the directors of each of Bell Aliant Holdings GP and Bell Aliant GP and to nominate its proportionate share of the trustees of the Fund (rounded up to the next whole number) based on its fully-diluted direct and indirect ownership of Fund Units. In any event, BCE will be entitled to nominate two directors to the board of Bell Aliant Holdings GP and Bell Aliant GP for as long as such commercial agreements are in place, irrespective of its ownership interest in the Fund (on a fully-diluted basis). BCE has complete discretion with respect to the exercise of these rights. As a result of this, the Fund and its operating entities may be restricted from entering into or carrying out transactions or activities that they may otherwise wish to do. BCE and its affiliates currently own 42.61 per cent of the Fund Units on a fully-diluted basis. Please see "Other Material Agreements – Securityholders' Agreement" above for a further description of BCE's governance rights.

Reliance on Key Personnel and Labour Relations

Skilled and experienced telecommunications personnel are in high demand as a result of the strong growth and competitiveness of the telecommunications market. We may find it increasingly difficult to attract and to retain the necessary resources to meet our needs. It is possible that additional incentives may be required and that certain business initiatives may be at risk if skill shortages occur.

Approximately 49 per cent of our employees are represented by unions and are covered by collective agreements. Renegotiating collective agreements could result in higher labour costs and work disruptions, including work stoppages or work slowdowns. There can be no assurance that if a strike or other work disruption occurs, it would not adversely affect service to our customers. In addition, work disruptions at our service providers, including work slowdowns and work stoppages due to strikes, could significantly hurt our business, including our customer relationships and results of operations.

On July 6, 2006, Télébec LP announced that it had reached an agreement in principle with the Teamsters Québec 1999, the union representing 181 Télébec technicians. The members of Teamsters Québec 1999 ratified this agreement on October 5, 2006. Most of the Bell Nordiq Partnership's other collective agreements expire on December 31, 2007.

A number of our collective agreements have expired or will expire in 2007:

- Collective agreement with the Communications Energy and Paperworkers union (**CEP**) representing 136 employees in Ontario expired on February 28, 2007;
- Collective agreement with Teamsters representing 27 employees in Québec expired on March 17, 2007;
- Collective agreement with the CTEA/ACET representing 235 employees in Québec expires on November 1, 2007;

- Collective agreement with the CEP representing 664 employees in Ontario and Québec expires on November 30, 2007; and
- Collective agreement with the CEP representing 3,543 employees in the four Atlantic provinces expires on December 31, 2007.

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 for 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 results of operations, cash flows and financial position in the period in which the judgment or settlement occurs. Significant legal contingencies are described in the notes to our quarterly and annual financial statements.

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.

Tax Related Risks

Allocation of Partnership Income

The general partners of Bell Aliant LP and the Bell Nordiq Partnerships allocate the respective incomes of such partnerships among their respective partners in accordance with the terms of the related partnership agreements. The Tax Act contains provisions which permit a reallocation of partnership income or loss among members of a partnership where the agreed-upon allocation is not reasonable in the circumstances. Although such allocations are believed to be reasonable in the circumstances, there can be no assurance that taxation authorities will not seek to challenge such allocation.

Interest Expense Deduction

Income fund structures generally involve significant amounts of inter-company or similar debt, generating substantial interest expense, which serves to reduce earnings and therefore income tax payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. We believe that the interest expense inherent in our structure is supportable and reasonable in light of the terms of the related indebtedness. On October 31, 2003, the Department of Finance (Canada) released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes. In general, the proposed amendments may deny the realization of losses in respect of a business or property if there is no reasonable expectation that the business or property will produce a cumulative profit over the period that the business can reasonably be expected to be carried on or the property is held. As part of the release of the February 23, 2005 Federal Budget, the Minister of Finance (Canada) announced that many commentators had expressed concern with the October 31, 2003 proposals; in particular that a codification of the "reasonable expectation of profit" test might inadvertently limit the deductibility of a wide variety of ordinary commercial expenses. The Department of Finance has sought to respond by developing a more modest legislative initiative that would respond to those concerns while still achieving the Government's objectives. The Department of Finance (Canada) indicated that it will release an alternative proposal for public comment at its earliest opportunity. Bell Aliant Holdings LP does not believe that the amendments as proposed on October 31, 2003 will have a material effect on it.

Federal Government's Announcement on Income Trust and Partnership Taxation

On October 31, 2006, the Minister of Finance (Canada) announced a proposal whereby publicly-listed income trusts and limited partnerships will be subject to a special tax on certain income. According to the December 21, 2006 draft legislation to implement this proposal, a trust or partnership could be subject to this tax if securities of the entity are listed on a stock exchange or other public market, but if securities of the entity were so listed before November 1, 2006, there will be a transitional delay whereby this special tax will not apply to taxation years ending before 2011. The Minister has also stated, however, that the benefit of this transitional delay is subject to the possible need to foreclose inappropriate new tax

avoidance techniques and, while there was no intention to prevent existing income trusts or limited partnerships from “normal growth” during the transitional period, any “undue expansion” of the entity could cause this to be revisited.

On December 15, 2006, the Minister released guidance on the meaning of “normal growth.” Based on this guidance, the privatization of Bell Nordiq and the proposed acquisition of Amtelecom should not be considered to be “growth” and we expect to continue to be able to operate within the guidance. Nevertheless, the guidance is not law and was framed in general terms.

It is possible that the proposed tax changes could be implemented in a manner which is different from what has been announced and which could result in, among other things, the earlier application of the tax to existing trusts or partnerships.

DISTRIBUTIONS AND DISTRIBUTION POLICY

The distribution policy of Bell Aliant Holdings LP is described above under the heading “Description of Bell Aliant Holdings LP – Distributions”. For the quarter ended September 30, 2006, Bell Aliant Holdings LP declared consolidated distributions of \$141.5 million, consisting of \$78.6 million to the Fund and \$62.9 million to BCE and Bell Canada; for the quarter ended December 31, 2006, Bell Aliant Holdings LP declared consolidated distributions of \$154.3 million, consisting of \$85.5 million to the Fund and \$68.8 million to BCE and Bell Canada.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The capital structure of Bell Aliant Holdings LP is described above under the heading “Description of Bell Aliant Holdings LP – Capitalization”.

Constraints

Constraints on ownership of Bell Aliant Holdings LP Units are described above under the heading “Description of Bell Aliant Holdings LP – Transfer of Partnership Units and GP Shares”.

Ratings

As at the date of this AIF, Bell Aliant LP had the following ratings:

	S&P	DBRS
Bell Aliant LP senior unsecured debt	BBB, stable trend	BBB (high) stable trend
Bell Aliant LP commercial paper	Not rated	R-1 (low) stable trend

DBRS rates debt instruments by rating categories ranging from a high of AAA to a low of D. In addition, a designation of “high” or “low” after a rating indicates an issue’s relative strength within the rating category. Each DBRS rating category is appended with one of three rating trends – “Positive”, “Stable”, or “Negative”. The rating trend helps to give the investor an understanding of DBRS’s opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent. Similarly, S&P ratings range from a high of AAA to a low of D and the issue’s relative strength is indicated by a “plus” or a “minus” after the rating. The lack of one of these designations indicates a rating that is essentially in the middle of the category. An S&P rating outlook of “Positive”, “Stable” or “Negative” assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future credit-watch action.

According to the DBRS rating system, debt securities rated BBB(high) are of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is 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. According to the S&P rating scale, obligations rated BBB exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of Bell Aliant LP to meet its financial commitment on the Notes.

DBRS rates commercial paper by rating categories ranging from a high of R-1 to a low of D (after R-5). In addition, a designation of “high”, “middle” or “low” after a rating indicates an issue’s relative strength within the rating category. Each DBRS rating category is appended with one of three rating trends – “Positive”, “Stable”, or “Negative”. The rating trend helps to give the investor an understanding of DBRS’s opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent. The rating scale is meant to give an indication of the risk that a borrower will not fulfill its near-term debt obligations in a timely manner and each DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity.

According to the DBRS rating system, commercial paper rated R-1(low) is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and Bell Aliant LP is of sufficient size to have some influence in its industry.

A rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn at any time.

DIRECTORS AND OFFICERS

The persons listed in the chart below serve as directors of Bell Aliant Holdings GP and Bell Aliant GP. Bell Aliant Holdings GP is the general partner of Bell Aliant Holdings LP. The term of office of the directors of Bell Aliant Holdings GP and Bell Aliant GP ends at the conclusion of the next annual meeting of shareholders of Bell Aliant Holdings GP and Bell Aliant GP, respectively. The composition of the board of directors of each of Bell Aliant Holdings GP and Bell Aliant GP is governed by the Securityholders’ Agreement described above under the heading “Other Material Agreements – Securityholders’ Agreement”.

The board of directors of Bell Aliant Holdings GP has established the following committees: Audit, Governance, Management Resources and Compensation, Defined Benefit Pension Fund and Defined Contribution Pension Fund. The Audit Committee of Bell Aliant Holdings GP also serves as the Audit Committee of the Fund. Membership on these committees is shown in the table below.

The name, board position, committee membership, principal occupation and province of residence for each of the directors of Bell Aliant Holdings GP and Bell Aliant GP as at March 1, 2007, and the period during which they have served as a director (including as a director of Aliant), are shown in the table below:

Name, Position and Committee Membership	Principal Occupation	Province and Country of Residence	Director Since (includes Aliant)
Kevin Crull	President - Residential Services of Bell Canada	Ontario, Canada	July 2006

Name, Position and Committee Membership	Principal Occupation	Province and Country of Residence	Director Since (includes Aliant)
Robert Dexter, QC Audit committee, Governance committee, and Management resources and compensation committee	Chairman and Chief Executive Officer of Maritime Travel Inc.	Nova Scotia, Canada	April 1999
Lawson Hunter Governance committee, Management resources and compensation committee, Defined benefit pension fund committee and Defined contribution pension fund committee	Executive Vice-President and Chief Corporate Officer of BCE and Bell Canada	Ontario, Canada	June 2004
Patrick Pichette ⁽¹⁾	President - Operations of Bell Canada	Québec, Canada	July 2006
Edward Reevey, FCA Audit committee (chair), Defined benefit pension fund committee (chair) and Defined contribution pension fund committee (chair)	Chairman and Chief Executive Officer of Edda Capital Inc., a private holding company	New Brunswick, Canada	April 1999
Michael Sabia ⁽¹⁾ Chairman	President and Chief Executive Officer of BCE and Chief Executive Officer of Bell Canada	Québec, Canada	July 2006
Karen Sheriff Governance committee and Management resources and compensation committee	President, Small and Medium Business of Bell Canada	Ontario, Canada	June 2004
Louis Tanguay Audit committee	Corporate Director	Québec, Canada	July 2006
Stephen Wetmore	President and Chief Executive Officer of Bell Aliant GP	Nova Scotia and Ontario, Canada	April 1999
Charles White, QC Audit committee, Governance committee (chair), Management resources and compensation committee (chair), Defined benefit pension fund committee and Defined contribution pension fund committee	Lawyer with the law firm White, Ottenheimer & Baker	Newfoundland and Labrador, Canada	April 1999

Name, Position and Committee Membership	Principal Occupation	Province and Country of Residence	Director Since (includes Aliant)
Victor Young, O.C. ⁽²⁾ Governance committee and Management resources and compensation committee	Corporate Director	Newfoundland and Labrador, Canada	April 2002

(1) Was a director or executive officer of Teleglobe Inc. or certain of its affiliates on, or during the year preceding, May 15, 2002, the date when Teleglobe Inc. and certain of its affiliates filed for court protection under insolvency statutes in various countries, including Canada and the United States.

(2) Mr. Young was a member of the audit committee until March 1, 2007.

All of the directors of Bell Aliant Holdings GP and Bell Aliant GP have been employed in the designated principal occupation for the preceding five years, except as follows:

Mr. Crull was President - Consumer Solutions of Bell Canada from March 2005 to September 2005. Prior to 2005, Mr. Crull was Senior Vice-President and General Manager of AT&T Mobility of AT&T Inc. He was also Senior Vice-President of Consumer and Small Business of AT&T Inc. from 2001 to 2004.

Mr. Hunter was a partner with the law firm Stikeman Elliott LLP until March 2003.

Mr. Pichette was Executive Vice-President, Finance and Operations of Teleglobe Communications Corporation from January 2002 to May 2002. From September 2002 to December 2003, Mr. Pichette was Chief Financial Officer of Bell Canada and in December 2003 he became Executive Vice-President of Bell Canada until appointment to his current position.

Mr. Reevey was also Chairman and Chief Executive Officer of Addee Developments Limited, a private holding company, until December 2006.

Mr. Sabia was President and Chief Operating Officer of BCE from March 2002 to April 2003, and from March 2002 to May 2002 he was Chief Operating Officer of Bell Canada.

Mr. Wetmore was appointed President and Chief Executive Officer of Bell Aliant Holdings GP and Bell Aliant GP upon completion of the Arrangement in July 2006. Prior to that time, Mr. Wetmore was Executive Vice-President and Group President - Corporate Performance and National Markets of Bell Canada.

The following persons serve as officers of Bell Aliant Holdings GP. The name, position with Bell Aliant Holdings GP and province of residence for each of the officers as at March 1, 2007, appears below:

Name	Position with Bell Aliant	Province and Country of Residence
Stephen Wetmore	President and Chief Executive Officer	Ontario and Nova Scotia, Canada
Mary-Ann Bell	Senior Vice President and Chief Operating Officer - Québec	Québec, Canada
Helena Cain	Vice President Enterprise and Business Sales	New Brunswick, Canada
Frederick Crooks	Chief Legal Officer and Secretary	Nova Scotia, Canada

Name	Position with Bell Aliant	Province and Country of Residence
Frank Fagan	Chief Operating Officer	Newfoundland and Labrador, Canada
Mark Hanlon	Senior Vice President and Chief Operating Officer - Ontario	Ontario, Canada
Charles Hartlen	Senior Vice President Customer Experience	Nova Scotia, Canada
Paul Kent	Senior Vice President Enterprise Solutions	Nova Scotia, Canada
Evan Kipnis	Vice President and General Counsel, Commercial Law, and Assistant Secretary	Newfoundland and Labrador, Canada
Glen LeBlanc	Chief Financial Officer	Nova Scotia, Canada
Gary Lund	Chief Technology Officer	New Brunswick, Canada
Eleanor Marshall	Vice President and Treasurer	New Brunswick, Canada
Alana Patterson	Assistant Secretary	Nova Scotia, Canada
David Rathbun	Chief Talent Officer	Nova Scotia, Canada
Catherina Rignanesi	Vice President Taxation	New Brunswick, Canada
Ida Teoli	Senior Vice President	Québec, Canada
Heather Tulk	Senior Vice President Marketing	Nova Scotia, Canada
Mahes Wickramasinghe	Senior Vice President	Ontario, Canada

All of the officers have held their current position or other positions with Bell Aliant GP or Aliant during the past five years with the exception of the following:

Stephen Wetmore, whose biographical information is detailed above.

Mary-Ann Bell was Senior Vice-President – Operations BRT Transition at Bell Canada from November 2005 to July 2006, prior to which she was Senior Vice-President – Contact Centres from June 2003 to November 2005, prior to which she was Vice-President – Customer Service with Bell Mobilité from September 2002 to June 2003, and prior to which she was Vice President –Customer Service with Bell Canada since August 1999.

Frederick Crooks was the Senior Vice President, General Counsel and Corporate Secretary of Aliant from October 2003 to July 2006, prior to which he was a partner with the law firm Cox Hanson O'Reilly Matheson in Halifax since 1985.

Mark Hanlon held the following positions with Bell Canada: Vice-President, National Markets from October 2005 to July 2006; Chief Operating Officer, Group Telecom from October 2004 to October 2005; Vice President, 360Networks Transition from July 2004 to October 2004; Vice President, CSG Marketing & Carrier Relations from January 2004 to July 2004; Vice President, CSG from January 2002 to January 2004; Vice President, Revenue Optimization from September 2002 to December 2002 and Vice-President, CSG Marketing from July 2001.

Mr. Kent was Senior Vice President and Managing Director for the Strategic Consulting Unit of Fujitsu prior to October 2003. Prior to that role, he held increasingly senior positions at Fujitsu. He has also held IT roles in several government organizations.

Alana Patterson was the Director, Stakeholder Relations at Nova Scotia Business Inc. from January through October 2005. She previously served as Senior Policy Advisor to Ontario's Minister of Economic Development and Trade from January 2004 to August 2004 and Senior Policy Advisor to Canada's Minister for International Cooperation from March 2002 to January 2004.

Ida Teoli was Senior Vice-President – National Markets from June 2004 to July 2006, prior to which she was Senior Vice-President, Office of the Chief Executive Officer at Bell Canada from December 2003 to June 2004 and prior to which she was Chief Communications Officer of Bell Canada from October 2001.

Mahes Wickramasinghe was Senior Vice-President – Corporate Performance and National Markets with BCE until July 2006. From August 2003 to January 2006, he served as BCE's Chief Auditor. He was Senior Vice-President of Canadian Imperial Bank of Commerce (CIBC) (chartered bank) and Chief Financial and Administrative Officer of Amicus Financial (CIBC's e-commerce division) before August 2003. He was also Senior Vice-President and Chief Administrative Officer of CIBC Retail and Small Business Banking from June 2001 to February 2002.

Conflicts of Interest

Certain of the directors of Bell Aliant Holdings GP and Bell Aliant GP are also directors or officers of BCE, Bell Canada and/or their affiliates. There are significant commercial relationships and agreements between BCE and its affiliates and members of the Fund Group, including Bell Aliant LP and the Bell Nordiq Partnerships, which may give rise to the potential for conflict of interest. The provisions of the CBCA relating to conflicts of interest apply to persons who are directors or officers of Bell Aliant Holdings GP and Bell Aliant GP.

LEGAL PROCEEDINGS

Bell Aliant Holdings LP's audited consolidated financial statements for the year ended December 31, 2006 describe important legal proceedings relating to Bell Aliant Holdings LP and its subsidiaries. While we cannot predict the final outcome of the claims and litigation described therein or any other pending claims and litigation at the date of this AIF, management believes that the resolution of these claims and litigation will not have a material and negative effect on the Fund's consolidated financial position or results of operations. None of the claims and litigation described in Bell Aliant Holdings LP's audited consolidated financial statements for the year ended December 31, 2006 currently seeks payment of damages in an amount exceeding the threshold requiring disclosure in this AIF pursuant to Canadian securities laws.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

BCE owned, directly and indirectly, 44.7 per cent of the Fund on a fully diluted basis as at December 31, 2006, and owns 42.61 per cent of the Fund (on a fully diluted basis) as at the date of this AIF. As described above under the heading "Other Material Agreements – Securityholders' Agreement", the Securityholders' Agreement provides that so long as BCE, directly or indirectly, holds not less than 30 per cent of the Fund Units on a fully diluted basis, and certain commercial agreements with Bell Canada have not been terminated, BCE shall be entitled to appoint up to a majority of the directors of Bell Aliant Holdings GP and other material subsidiaries of the Fund. As long as BCE directly or indirectly holds not less than 20 per cent, BCE has certain consent rights, including the right to approve the appointment or removal of any Chief Executive Officer. In addition, the Securityholders' Agreement provides BCE and Bell Canada with pre-emptive rights to purchase securities in the event that units, securities convertible into units, or debt securities are issued by the Fund or Fund subsidiaries.

In addition, the Holdings Class 1 Exchangeable LP Units and Bell Aliant Exchangeable LP Units held by BCE and Bell Canada are exchangeable for Fund Units, as described under the heading "Other Material Agreements – Investor Liquidity and Exchange Agreement".

Bell Aliant Holdings LP continues to be a core asset for BCE with its business closely aligned with that of Bell Canada. The Fund Group has entered into a series of commercial relationships which govern the relationship with Bell Canada. These agreements provide the Fund Group with the telecommunications and support services required to operate the wireline and Internet access operations in territories previously covered by Bell Canada. The agreements also provide Bell Canada with the telecommunications and support services required for Bell Canada to operate its wireless business within Atlantic Canada. In addition, there is an extensive Commercial Relationship Management Agreement that governs the relationship with respect to non-competition, primeship, branding and term and termination. Further information regarding the relations with Bell Canada and BCE can be found at note 21 to Bell Aliant Holdings LP's audited consolidated financial statements for the year ended December 31, 2006, which note is incorporated by reference herein, available on SEDAR at www.sedar.com.

Other than as set out in this AIF, none of the directors or executive officers, as applicable, of Bell Aliant GP or Bell Aliant Holdings GP, or any associate or affiliate of such persons, has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect Bell Aliant GP, Bell Aliant Holdings GP or any of their subsidiaries.

MATERIAL CONTRACTS

The following is a list of contracts, other than contracts entered into in the ordinary course of business, that are material to Bell Aliant Holdings LP and that were entered into within the most recently completed financial year:

- the Bell Aliant Holdings LP Partnership Agreement;
- the Bell Aliant LP Partnership Agreement;
- the Securityholders' Agreement;
- the Administration Agreement;
- the Investor Liquidity and Exchange Agreement; and
- the trust indenture dated September 14, 2006 among Bell Aliant LP, Bell Aliant GP, 6583458 Canada Inc., Bell Aliant Holdings LP, Bell Aliant Holdings GP, Holdings Trust and CIBC Mellon Trust Company providing for the issuance of medium term notes by Bell Aliant LP.

INTERESTS OF EXPERTS

Deloitte & Touche LLP is independent of Bell Aliant Holdings LP and its subsidiaries under applicable rules of professional conduct. Ernst & Young LLP was independent of Aliant and its subsidiaries under applicable rules of professional conduct.

ADDITIONAL INFORMATION

Additional information relating to Bell Aliant Holdings LP, including our annual and quarterly financial statements, news releases and other continuous disclosure documents, may be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Additional financial information is provided in our financial statements and management's discussion and analysis for the year ended December 31, 2006.

In addition, quarterly reports, annual reports and supplementary information can be found under the "Investor" section on our website at www.bell.aliant.ca.

GLOSSARY

“Administration Agreement” means the administration agreement dated July 6, 2006 between the Fund, Holdings Trust, Bell Aliant Holdings GP, Bell Aliant GP and Bell Aliant LP, as the same may be amended, supplemented or restated from time to time;

“AIF” means this annual information form;

“Aliant” means Aliant Inc., the predecessor corporation to Bell Aliant GP;

“Aliant Telecom” means Aliant Telecom Inc.;

“AMP” means Aliant Mobility Products;

“Amtelecom” means Amtelecom Income Fund;

“AMP” has the meaning given to such term under “Description of the Business”;

“ARPC” has the meaning given to such term under “Cautionary Note Concerning Forward-Looking Statements – Assumptions Made in the Preparation of Forward-Looking Statements”;

“Arrangement” means the arrangement under Section 192 of the CBCA involving Aliant, BCE, Bell Canada and Aliant’s shareholders completed on July 7, 2006;

“BCE” means BCE Inc.;

“Bell Aliant Business” has the meaning given to such term under “General Matters”;

“Bell Aliant” has the meaning given to such term under “Description of the Business – Business of the Bell Aliant Segment”;

“Bell Aliant Exchangeable LP Units” means the Class B exchangeable limited partnership units of Bell Aliant LP;

“Bell Aliant GP” means Bell Aliant Regional Communications Inc., the successor corporation to Aliant following completion of the Arrangement which acts as general partner of Bell Aliant LP;

“Bell Aliant Holdings GP” means Bell Aliant Regional Communications Holdings Inc., a corporation incorporated under the CBCA which acts as general partner of Bell Aliant Holdings LP;

“Bell Aliant Holdings LP” means Bell Aliant Regional Communications Holdings, Limited Partnership, a limited partnership formed under the laws of the Province of Québec;

“Bell Aliant Holdings LP Partnership Agreement” means the limited partnership agreement in respect of Bell Aliant Holdings LP as the same may be amended or amended and restated from time to time;

“Bell Aliant Holdings LP Units” means the Holdings Class 1 Exchangeable LP Units and the Holdings Class 2 LP Units;

“Bell Aliant LP” means Bell Aliant Regional Communications, Limited Partnership, a limited partnership formed under the laws of the Province of Manitoba;

“Bell Aliant LP Partnership Agreement” means the limited partnership agreement in respect of Bell Aliant LP as the same may be amended or amended and restated from time to time;

“Bell Canada” means Bell Canada or The Bell Telephone Company of Canada;

“Bell Nordiq” means Bell Nordiq Income Fund;

“Bell Nordiq Partnerships” means NorthernTel, Limited Partnership and Télébec, Limited Partnership;

“Bell Partnership Territory” has the meaning given to such term under “Risk Factors – Risks Relating to the Business”;

“BNG” means Bell Nordiq Group Inc., a company incorporated under the laws of the Province of Québec which acts as the general partner of each of the Bell Nordiq Partnerships;

“Broadcasting Act” means the *Broadcasting Act* (Canada), as amended and where applicable any regulations or directives issued thereunder;

“Cash Purchase Price” has the meaning given to such term under “Other Material Agreements - Investor Liquidity and Exchange Agreement”;

“CBCA” means the *Canada Business Corporations Act*, as amended, including the regulations promulgated thereunder;

“Commercial Relationship Management Agreement” means the commercial relationship management agreement dated July 7, 2006 between Bell Canada and Bell Aliant LP;

“Connecting and Operating Agreement” means the connecting and operating agreement dated July 7, 2006 between Bell Canada and Bell Aliant LP;

“CRTC” means the Canadian Radio-television and Telecommunications Commission, an agency of the Government of Canada;

“DB” has the meaning given to such term under “Cautionary Note Concerning Forward-Looking Statements – Assumptions Made in the Preparation of Forward-Looking Statements”;

“DC” has the meaning given to such term under “Cautionary Note Concerning Forward-Looking Statements – Assumptions Made in the Preparation of Forward-Looking Statements”;

“DBRS” means Dominion Bond Rating Service;

“Demand Registration” has the meaning given to such term under “Other Material Agreements – Investor Liquidity and Exchange Agreement”;

“EBITDA” has the meaning given to such term under “Cautionary Note Concerning Forward-Looking Statements – Assumptions Made in the Preparation of Forward-Looking Statements”;

“ERIP” has the meaning given to such term under “General Development of the Business – Three Year History”;

“Exchange Right” has the meaning given to such term under “Other Material Agreements – Investor Liquidity and Exchange Agreement”;

“Exchangeable Interest” means each pair of one GP Share and one Holdings Class 1 Exchangeable LP Unit, and each Bell Aliant Exchangeable LP Unit;

“Exchangeable Securities” means securities that are, directly or indirectly, convertible into or exchangeable for Fund Units;

“FTTN” has the meaning given to such term under “Cautionary Note Concerning Forward-Looking Statements – Assumptions Made in the Preparation of Forward-Looking Statements”;

“Fund” means Bell Aliant Regional Communications Income Fund, a trust established under the laws of the Province of Ontario pursuant to the Fund Declaration of Trust;

“Fund Declaration of Trust” means the amended and restated declaration of trust dated July 6, 2006 establishing and governing the Fund, as the same may be amended or amended and restated from time to time;

“Fund Group” means, collectively, the Fund, Holdings Trust, Bell Aliant Holdings LP, Bell Aliant Holdings GP, BNG, Bell Aliant LP, Bell Aliant GP, and their respective subsidiaries;

“Fund Trustees” means, at any time, the individuals who are, in accordance with the Fund Declaration of Trust, the trustees of the Fund at such time;

“Fund Units” means the units of the Fund designated as “Units” in the Fund Declaration of Trust;

“GAAP” means Canadian generally accepted accounting principles;

“GDP” has the meaning given to such term under “Cautionary Note Concerning Forward-Looking Statements – Assumptions Made in the Preparation of Forward-Looking Statements”;

“GP Shares” means common shares of Bell Aliant Holdings GP;

“Holdings Class 1 Exchangeable LP Units” means Class 1 exchangeable limited partnership units of Bell Aliant Holdings LP;

“Holdings Class 2 LP Units” means Class 2 limited partnership units of Bell Aliant Holdings LP;

“Holdings Trust” means Bell Aliant Holdings Trust, a trust established under the laws of the Province of Québec pursuant to the Holdings Trust Declaration of Trust;

“Holdings Trust Declaration of Trust” means the amended and restated declaration of trust dated July 6, 2006 establishing and governing Holdings Trust, as the same may be amended or amended and restated from time to time;

“ICT” has the meaning given to such term under “General Development of the Business – Three Year History”;

“ILEC” has the meaning given to such term under “General Development of the Business – Three Year History”;

“Innovatia” has the meaning given to such term under “Description of the Business”;

“Inukshuk Network” has the meaning given to such term under “Description of the Business – Business of the Bell Aliant Segment”;

“Investor Liquidity and Exchange Agreement” means the investor liquidity and exchange agreement described under the heading “Other Material Agreements – Investor Liquidity and Exchange Agreement”;

“IP” has the meaning given to such term under “General Development of the Business – Three Year History”;

“IPTV” has the meaning given to such term under “Cautionary Note Concerning Forward-Looking Statements”;

“ISIT” has the meaning given to such term under “Description of the Business – Business of the Bell Nordiq Segment”;

“IT” has the meaning given to such term under “Cautionary Note Concerning Forward-Looking Statements”;

“**Liquidated Interest**” has the meaning given to such term under “Other Material Agreements - Investor Liquidity and Exchange Agreement”;

“**Liquidity Right**” has the meaning given to such term under “Other Material Agreements – Investor Liquidity and Exchange Agreement”;

“**LP Notes**” has the meaning given to such term under “General Development of the Business – Three Year History”;

“**Major Commercial Agreements**” means the Commercial Relationship Management Agreement and the Connecting and Operating Agreement;

“**local forbearance**” has the meaning given to such term under “General Development of the Business – Three Year History”;

“**NCIB**” has the meaning given to such term under “General Development of the Business – Recent Developments”;

“**NorthernTel LP**” means NorthernTel, Limited Partnership, a limited partnership formed under the laws of the Province of Québec;

“**Note Trustee**” means CIBC Mellon Trust Company as trustee under the Trust Note Indenture;

“**Notes**” has the meaning given to such term under “General Development of the Business – Recent Developments”;

“**Offer**” has the meaning given to such term under “General Development of the Business – Recent Developments”;

“**OPEB**” has the meaning given to such term under “Cautionary Note Concerning Forward-Looking Statements – Assumptions Made in the Preparation of Forward-Looking Statements”;

“**QoS**” has the meaning given to such term under “General Development of the Business – Three Year History”;

“**Radiocommunication Act**” means the Radiocommunication Act (Canada), as amended, and the regulations thereunder;

“**Redemption Price**” has the meaning given to such term under “Description of the Fund - Redemption Right”;

“**Securityholders’ Agreement**” has the meaning given to such term under “Other Material Agreements - Securityholders’ Agreement”;

“**SIP**” has the meaning given to such term under “Risk Factors – Risks Relating to the Business”;

“**Special Voting Units**” means the units of the Fund designated as “Special Voting Units” in the Fund Declaration of Trust, to be issued to the holders of Holdings Class 1 Exchangeable LP Units, Bell Aliant Exchangeable LP Units or, in the discretion of the Fund Trustees, other Exchangeable Securities;

“**Tax Act**” means the *Income Tax Act* (Canada), including the regulations promulgated thereunder, in each case as amended;

“**Télébec LP**” means Télébec, Limited Partnership, a limited partnership formed under the laws of the Province of Québec;

“**Telecommunications Act**” means the *Telecommunications Act* (Canada), as amended, and the regulations thereunder;

“**TPR Panel**” has the meaning given to such term under “Risk Factors – Risks Relating to the Business”;

“**TPR Report**” has the meaning given to such term under “Risk Factors – Risks Relating to the Business”;

“**Trust Note Indenture**” means the note indenture dated July 7, 2006 between Holdings Trust and the Note Trustee, governing the Trust Notes, as the same may be amended or amended and restated from time to time;

“**Trust Notes**” means the unsecured, subordinated notes to be issued by Holdings Trust from time to time under the Trust Note Indenture;

“**Trust Units**” means the units of Holdings Trust issued at any time, including the units initially issued to the Fund pursuant to the Arrangement;

“**TSX**” means the Toronto Stock Exchange;

“**Unitholders**” means the holders of Fund Units from time to time;

“**VoIP**” has the meaning given to such term under “Cautionary Note Concerning Forward-Looking Statements – Assumptions Made in the Preparation of Forward-Looking Statements”;

“**VoIP Decision**” has the meaning given to such term under “Risk Factors – Risks Relating to the Business”;

“**Voting Unitholders**” means, collectively, Unitholders and holders of Special Voting Units;

“**VPN**” has the meaning given to such term under “General Development of the Business – Three Year History”; and

“**xwave**” has the meaning given to such term under “General Development of the Business – Three Year History”.

SCHEDULE 1: AUDIT COMMITTEE INFORMATION

1. The Audit Committee's Charter

The Audit Committee (the "committee") of Bell Aliant Holdings GP serves as the audit committee of the Fund. The committee's charter is available in the governance section of the Fund Group's website at www.bell.aliant.ca and is attached as Schedule 2 to this AIF. Also included with Schedule 2 is a copy of the audit committee chair responsibilities, as outlined in the Fund Group'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 four members: Edward Reevey (chair), Robert Dexter, Louis Tanguay and Charles White. Victor Young was a member of the committee until March 1, 2007. 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 (or equivalent body), be reasonably expected to interfere with the exercise of a director's independent judgment.

The Bell Aliant Holdings GP 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 Fund 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.

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.

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 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 Eedda Capital Inc., a private holding company. He holds a Bachelor of Commerce degree 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. He also serves on the audit committee of Stratos Global Corporation.

Robert Dexter, Q.C., holds both a Bachelor of Commerce and an LL.B. degree from Dalhousie University. He is Chairman and Chief Executive Officer of Maritime Travel Inc. He is chair of the audit committees of Wajax Income Fund and High Liner Foods Inc.

Mr. Tanguay is a Corporate Director. Mr. Tanguay was President and Chief Executive Officer of Bell Canada International Inc. from 2000 until November 2001 and Vice-Chairman of Bell Canada International Inc. from 2001 until May 2003. Mr. Tanguay holds a Bachelor of Commerce from Concordia University. He serves on the audit committees of Saputo Inc. (chair), SR Telecom Inc., Medisys Health Group Inc. and Canbras Communications Corp.

Charles White, Q.C., is a lawyer with the law firm White, Ottenheimer & Baker. Mr. White holds a Bachelor of Commerce degree from Memorial University of Newfoundland and an LL.B. degree from Dalhousie University. He serves on the audit committees of BMO Mutual Funds, Unifund Assurance Company and The Johnson Corporation.

4. Reliance on Certain Exemptions

Bell Aliant Holdings GP 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 completion of the Arrangement on July 7, 2006.

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

Bell Aliant Holdings GP 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 completion of the Arrangement on July 7, 2006.

6. Reliance on Section 3.8

Bell Aliant Holdings GP has not relied on section 3.8 (*Acquisition of Financial Literacy*) at any time since completion of the Arrangement on July 7, 2006.

7. Audit Committee Oversight

At no time since completion of the Arrangement on July 7, 2006 has the board of Bell Aliant Holdings GP not adopted a recommendation of the audit committee to nominate or compensate an external auditor.

8. Pre-Approval Policies and Procedures

In compliance with MI 52-110, the committee is responsible for the appointment, compensation and oversight of the work of the external auditor. On July 7, 2006, the Fund and Bell Aliant Holdings GP adopted an Auditor Independence Policy, a comprehensive policy governing all aspects of the Fund Group's relationship with the external auditor, including:

- Establishing a process for determining whether various audit and other services provided by the external auditor affect its independence;
- Identifying the services that the external auditor may and may not provide to the Fund and its subsidiaries;
- Pre-approving all services to be provided by the external auditor; and
- Establishing a process outlining procedures (as part of a separate policy) when hiring current or former personnel of the external auditor in a financial oversight role to ensure auditor independence is maintained.

The Auditor Independence Policy is available in the governance section of the Fund's website at www.bell.aliant.ca.

9. External Auditor Service Fees (By Category)

Deloitte & Touche LLP (D&T) was appointed as Bell Aliant Holdings LP's auditors upon completion of the Arrangement. Previous to D&T, Ernst & Young LLP had served as Aliant's auditors since April 1999. Fees payable for the years ended December 31, 2006 and 2005 are \$2.7 million and \$1.2 million, respectively and are detailed below.

Deloitte & Touche LLP

	<u>2006</u>	<u>2005</u>
Audit fees	\$775,000	Nil
Audit-related fees	\$1,237,356	Nil
Tax Fees	\$0	Nil
	<hr/> \$2,012,356	<hr/> Nil

Ernst & Young LLP

	<u>2006</u>	<u>2005</u>
Audit fees	\$75,060	\$709,160
Audit-related fees	\$486,767	\$461,192
Tax Fees	\$114,740	\$60,367
	<hr/> \$676,567	<hr/> \$1,230,719

Audit fees

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

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, review of prospectuses, consultations about financial accounting and reporting matters and French translation of quarterly and annual reports. It also includes fees payable in relation to the Arrangement.

Tax fees

These fees include professional services for tax compliance, tax advice, tax planning and advisory services.

SCHEDULE 2: AUDIT COMMITTEE CHARTER

For purposes of this section, reference to "Corporation" includes reference to Bell Aliant Regional Communications Inc., Bell Aliant Regional Communications Holdings Inc., and the ultimate parent trust of the Corporation, Bell Aliant Regional Communications Income Fund (Fund). Reference to "board of directors" of the Corporation also includes reference to the board of trustees of the Fund and reference to "directors" of the Corporation includes reference to trustees of the Fund. Reference to "shareholders" of the Corporation also includes reference to unitholders of the Fund.

AUDIT COMMITTEE CHARTER

I. Purpose

The purpose of the Audit Committee is to assist the Board of Directors in its oversight of:

- A. the integrity of the Corporation's financial statements and related information;
- B. the Corporation's compliance with applicable legal and regulatory requirements;
- C. the independence, qualifications and appointment of the external auditor;
- D. the performance of the Corporation's external auditor and internal auditor;
- E. management responsibility for reporting on internal controls and risk management;
- F. the administration, funding and investment of the Corporation's pension plans ("Plan") and fund; and
- G. the Corporation's environmental risks.

II. Duties and Responsibilities

The Audit Committee shall perform the functions customarily performed by audit committees and any other functions assigned by the Board of Directors. The Audit Committee shall also serve as the Audit Committee for purposes of the Fund, as contemplated under Companion Policy 52-110CP to *Multilateral Instrument 52-110 Audit Committees* and as outlined in the Securityholders' Agreement.

In particular, the Audit Committee shall have the following duties and responsibilities:

A. *Financial reporting and control*

- 1. On a periodic basis, review and discuss with management and the external auditor the following:
 - a. major issues regarding accounting principles and financial statement presentation, including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;
 - b. analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles methods on the financial statements when such alternatives have been selected in the current reporting period;

- c. the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation;
 - d. the type and presentation of information to be included in earnings news releases (including any use of pro-forma or adjusted non-generally accepted accounting principles, information).
2. Meet to review and discuss with management and the external auditor, report and, where appropriate, provide recommendations to the Board of Directors on the following prior to its public disclosure:
- a. the annual and interim consolidated financial statements, the Corporation's disclosure under "Management Discussion and Analysis", Annual Information Form, earnings news releases, financial information and any earnings guidance provided to analysts and rating agencies and the integrity of the financial reporting of the Corporation;
 - In addition to the role of the Audit Committee to make recommendations to the Board of Directors, where the members of the Audit Committee consider that it is appropriate and in the best interest of the Corporation, the interim consolidated financial statements, the interim Corporation's disclosure under "Management Discussion and Analysis" for interim period and interim earnings news releases and earnings guidance, may also be approved on behalf of the Board of Directors by the Audit Committee, provided that such approval is subsequently reported to the Board of Directors at its next meeting;
 - b. any audit problems or difficulties and management's response thereto, including any restrictions on the scope of the activities of the external auditor or access to requested information and any significant disagreements with management.
3. Review and discuss reports from the external auditor on:
- a. all critical accounting policies and practices used by the Corporation;
 - b. all material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternate treatments and disclosures and the treatment preferred by the external auditor; and
 - c. other material written communications between the external auditor and management, and discuss such report with the external auditor.

B. Oversight of the external auditor

- 1. Be directly responsible for the appointment, compensation, retention and oversight of the work of the external auditor and any other auditor preparing or issuing an audit report or performing other audit services or attest services for the Corporation or any consolidated subsidiary of the Corporation, where required and review, report and where appropriate, provide recommendations to the Board of Directors on the appointment, terms and review of engagement, removal, independence and proposed fees of the external auditor.
- 2. Approve in advance all audit, review or attest engagement fees and terms for all audit, review or attest services to be provided by the external auditor to the

Corporation and any consolidated subsidiary and any other auditor preparing or issuing an audit report or performing other audit services or attest services for the Corporation or any consolidated subsidiary of the Corporation, where required.

3. Pre-approve all engagements for permitted non-audit services provided by the external auditor to the Corporation and any consolidated subsidiary and to this effect may establish policies and procedures for the engagement of the external auditor to provide to the Corporation and any consolidated subsidiary permitted non-audit services, which shall include approval in advance by the Audit Committee of all audit/review and permitted non-audit services to be provided by the external auditor to the Corporation and any consolidated subsidiary.
4. Delegate, if deemed appropriate, authority to one or more members of the Audit Committee to grant pre-approvals of audit/review/attest and permitted non-audit services, provided that any such approvals shall be presented to the Audit Committee at its next scheduled meeting.
5. Establish policies for the hiring of partners, employees and former partners and employees of the external auditor.
6. At least annually, consider, assess, and report to the Board of Directors on:
 - a. the independence of the external auditor, including whether the external auditor's performance of permitted non-audit services is compatible with the external auditor's independence;
 - b. obtaining from the external auditor a written statement (i) delineating all relationships between the external auditor and the Corporation; (ii) assuring that lead audit partner rotation is carried out, as required by law; and (iii) delineating any other relationships that may adversely affect the independence of the external auditor; and
 - c. the evaluation of the lead audit partner, taking into account the opinions of management and internal audit.
7. At least annually, obtain and review a report by the external auditor describing:
 - a. the external auditor's internal quality-control procedures;
 - b. any material issues raised by the most recent internal quality-control review, or peer review of the external auditor firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditor firm, and any steps taken to deal with any such issues.
8. Resolve any disagreement between management and the external auditor regarding financial reporting.
9. Review audit plan with the external auditor.
10. Meet periodically with the external auditor in the absence of management and internal audit.
11. Approve the appointment (including the terms thereof and any changes thereto), or removal, of the auditors for the Corporation's Defined Benefit pension plans and Master Trust Fund.

C. Oversight of internal audit

1. Review and discuss with the head of internal audit, report and, where appropriate, provide recommendations to the Board of Directors on the following:
 - a. the appointment and mandate of internal audit, including the responsibilities, budget and staffing of the Corporation's internal audit;
 - b. discuss with the head of internal audit the scope and performance of the internal audit, including a review of the annual internal audit plan, and whether there are any restrictions or limitations on internal audit;
 - c. obtain periodic reports from the head of internal audit regarding internal audit findings, including the Corporation's internal controls, and the Corporation's progress in remedying any material control deficiencies.
2. Meet periodically with the head of internal audit in the absence of management and the external auditor.

D. Oversight of the Corporation's internal control system

1. Review and discuss with management, the external auditor and internal audit, monitor, report and, when appropriate, provide recommendations to the Board of Directors on the following:
 - a. the Corporation's internal control system;
 - b. compliance with the policies and practices of the Corporation relating to business ethics;
 - c. compliance by Directors, Officers and other management personnel with the Corporation's Disclosure Policy; and
 - d. the relationship of the Audit Committee with other committees of the Board of Directors and management.
2. Review and discuss with the Chief Executive Officer and Chief Financial Officer of the Corporation the process for the certifications to be provided in the Corporation's public disclosure documents.
3. Review, monitor, report and where appropriate, provide recommendations to the Board of Directors on the Corporation's disclosure controls and procedures.
4. Establish procedures, for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, including procedures for confidential, anonymous submission by employees regarding questionable accounting or auditing matters.
5. Meet periodically with management in the absence of the external auditor and internal audit.

E. Oversight of the Corporation's risk management

1. Review, monitor, report and, where appropriate, provide recommendations to the Board of Directors on the following:
 - a. the Corporation's processes for identifying, assessing and managing risk; and

- b. the Corporation's major financial risk exposures and the steps the Corporation has taken to monitor and control such exposures.

F. Oversight of the Corporation's environmental risks

1. Review, monitor, report, and where appropriate, provide recommendations to the Board of Directors on the Corporation's environmental policy, and environmental management systems.
2. When appropriate, ensure that the Corporation's subsidiaries establish an environmental policy, and environmental management systems and review and report thereon to the Board of Directors of the Corporation.

H. Compliance with legal requirements

1. Review and discuss with management, the external auditor and internal audit, monitor, report and, when appropriate, provide recommendation to the Board of Directors on the adequacy of the Corporation's process for complying with laws and regulations.
2. Receive, on a periodic basis, reports from the Corporation's Chief Legal Officer, with respect to legal issues.

III. Evaluation of the Audit Committee and Report to Board of Directors

- A. The Audit Committee shall evaluate and review with the Governance Committee of the Board of Directors, on an annual basis, the performance of the Audit Committee.
- B. The Audit Committee shall review and discuss with the Governance Committee of the Board of Directors, on an annual basis, the adequacy of the Audit Committee charter.
- C. The Audit Committee shall report to the Board of Directors periodically on the Audit Committee's activities.

IV. Outside advisors

The Audit Committee shall have the authority to engage outside counsel and other outside advisors as it deems appropriate to assist the Audit Committee in the performance of its functions. The Corporation shall provide appropriate funding for such advisors as determined by the Audit Committee.

V. Membership

The Audit Committee shall consist of between three and five directors, each of whom must be independent, consistent with the terms of the Securityholders' Agreement. The members of the Audit Committee shall meet the independence, experience and other membership requirements under applicable laws, rules and regulations as determined by the Board of Directors.

VI. Audit Committee Chair

The Chair of the Audit Committee shall be appointed by the Board of Directors. The Chair of the Audit Committee leads the Audit Committee in all aspects of its work and is responsible to effectively manage the affairs of the Audit Committee and ensure that it is properly organized and functions efficiently. More specifically, the Chair of the Audit Committee shall:

- A. Provide leadership to enable the Audit Committee to act effectively in carrying out its duties and responsibilities as described elsewhere in this charter and as otherwise may be appropriate;
- B. In consultation with the Board Chair, the Lead Director and the Chief Executive Officer, ensure that there is an effective relationship between management and the members of the Audit Committee;
- C. Chair meetings of the Audit Committee;
- D. In consultation with the Chief Executive Officer, the Secretary's Office and the Board Chair, and Lead Director determine the frequency, dates and locations of meetings of the Audit Committee;
- E. In consultation with the Chief Executive Officer, the Chief Financial Officer, the Secretary's Office and, as required, other Officers, review the meeting agendas to ensure all required business is brought before the Audit Committee to enable it to efficiently carry out its duties and responsibilities;
- F. Ensure, in consultation with the Board Chair and Lead Director, that all items requiring the Audit Committee's approval are appropriately tabled;
- G. Ensure the proper flow of information to the Audit Committee and review, with the Chief Executive Officer, the Chief Financial Officer, the Secretary's Office and, as required, other Officers, the adequacy and timing of materials in support of management's proposals;
- H. Report to the Board of Directors on the matters reviewed by, and on any decisions or recommendations of, the Audit Committee at the next meeting of the Board of Directors following any meeting of the Audit Committee; and
- I. Carry out any special assignments or any functions as requested by the Board of Directors.

VII. Term

The members of the Audit Committee shall be appointed or changed by resolution of the Board of Directors to hold office from the time of their appointment until the next annual general meeting of the shareholders or until their successors are so appointed.

VIII. Procedures for meetings

The Audit Committee shall fix its own procedure at meetings and for the calling of meetings. The Audit Committee shall meet separately in executive session in the absence of management, internal audit and the external auditor, at each regularly scheduled meeting.

IX. Quorum and voting

Unless otherwise determined from time to time by resolution of the Board of Directors, two members of the Audit Committee shall constitute a quorum for the transaction of business at a meeting. For any meeting(s) at which the Audit Committee Chair is absent, the Chair of the meeting shall be the person present who shall be decided upon by all members present. At a meeting, any question shall be decided by a majority of the votes cast by members of the Audit Committee, except where only two members are present, in which case any question shall be decided unanimously.

X. Secretary

Unless otherwise determined by resolution of the Board of Directors, the Secretary of the Corporation or his/her delegate shall be the Secretary of the Audit Committee.

XI. Vacancies

Vacancies at any time occurring shall be filled by resolution of the Board of Directors.

XII. Records

The Audit Committee shall keep such records as it may deem necessary of its proceedings and shall report regularly its activities and recommendations to the Board of Directors as appropriate.

SCHEDULE 3: ADDITIONAL DISCLOSURE REQUIRED UNDER FORM 51-102F2, ITEM 18

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 capitalized terms not otherwise defined herein shall have the meaning given to them in the main portion of this AIF.

Voting Securities and Principal Holders of Voting Securities

As at March 28, 2007, Bell Aliant Holdings LP had outstanding a nominal general partnership interest, 28,168,803 Class 1 exchangeable limited partnership units and 124,121,177 Class 2 limited partnership units. For a description of the attributes of the units of Bell Aliant Holdings LP, please see "Description of Bell Aliant Holdings LP" in the AIF. All of the Class 1 exchangeable limited partnership units are owned directly or indirectly by BCE and all of the Class 2 limited partnership units are owned by Holdings Trust.

Executive Compensation

In this section, references to "Bell Aliant" are to Bell Aliant Regional Communications, Limited Partnership which is the principal employer of the named executive officers and the senior leaders.

Our *Report on executive compensation* begins with an overview of the purpose and mandate of the management resources and compensation committee (referred to in this section as the "committee") of the board of directors.

In 2006, following completion of the Arrangement, a new executive compensation structure was established for Bell Aliant which links our compensation policies and programs to the corporate mission. This year, we are reporting on the compensation programs and plans at Bell Aliant since July 2006, as well as the programs and plans in place at Aliant prior to that time.

Composition and Mandate of the Committee

The committee administers Bell Aliant's executive compensation program. The committee was formed on July 7, 2006 and is composed of five directors, none of whom is employed by Bell Aliant and three of whom are independent: Charles White (chair), Robert Dexter, Victor Young, Lawson Hunter and Karen Sheriff. Mr. Hunter is executive vice-president and chief corporate officer of BCE and Bell Canada and Ms. Sheriff is president, small and medium business of Bell Canada.

The role of the committee with respect to compensation is to:

- oversee and recommend for approval Bell Aliant's executive compensation policy including all forms of compensation for the Chief Executive Officer and each member of executive management;
- oversee the general compensation, policies and plans for Bell Aliant;
- review and approve benefits and perquisites to be granted under all employee benefit plans including levels and types of benefits;
- review and approve all proposed enhancements to or deductions from the benefits accruing to employees under the pension plans; and
- review with the Chief Executive Officer any proposed major changes in the organization or personnel.

Independent Advice

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

Bell Aliant's Compensation Philosophy and Direction

The executive compensation philosophy, approved by the committee in July 2006, is designed to achieve four key objectives:

- align total compensation with the interests of unitholders;
- attract and retain high performing executives;
- create a performance culture and reward superior performance; and
- link compensation with the business strategy/objectives.

With these objectives in mind, our executive compensation philosophy has guided us in the development of a Bell Aliant Total Compensation model which includes base salary, short-term and long-term incentives. Features of the compensation model are:

- to target base salary at the 50th percentile of the comparator group;
- to target total compensation at the 60th percentile of the comparator group, if Bell Aliant or individual performance warrants;
- to support a rigorous performance culture through the use of short-term and long-term incentive plans which place a significant portion of the executive's total compensation at risk; and
- to align the interests of the executive and unitholders through the establishment of ownership guidelines and the opportunity to receive Fund units through long-term incentive plans.

Bell Aliant Total Compensation for 2006 (July to December)

Bell Aliant places a significant portion of each executive's total compensation at risk and rewards executives for individual and corporate performance and the creation of sustained unitholder value through the use of short-term and long-term incentive compensation.

The table below outlines the breakdown of Bell Aliant's total compensation mix for each named executive officer, followed by a summary of each component:

Executive ¹	Base salary	Short-term incentive compensation	Long-term incentive compensation
Stephen Wetmore, Chief Executive Officer	25 per cent	25 per cent	50 per cent
Frank Fagan, Chief Operating Officer	31 per cent	23 per cent	46 per cent
Glen LeBlanc, Chief Financial Officer	34 per cent	24 per cent	42 per cent
David Rathbun, Chief Talent Officer	39 per cent	23 per cent	38 per cent
Fred Crooks, Chief Legal Officer	39 per cent	23 per cent	38 per cent

Note:

- (1) Other executives' total compensation mix ranges from 34 per cent – 43 per cent on base salary; 22 per cent – 24 per cent on short-term incentive compensation and 35 per cent – 42 per cent on long-term incentive compensation.

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.

Short-term Incentive Compensation

The Bell Aliant short-term incentive plan (**STIP**) was created to drive performance and reward the achievement of specific annual financial and non-financial targets. In 2006, the plan focused on the importance of customer service and financial performance.

The program design has two components: Bell Aliant STIP measures and individual incentive targets.

There are four Bell Aliant STIP measures: distributable cash, revenue, cost per customer and customer service. For each measure there is no payout unless a threshold (50 per cent of target) is met. The maximum payout per measure is 150 per cent. In addition, no short term incentive is earned unless a financial floor is met.

Individual incentive targets are based upon the responsibilities of the executive, and range from 50 per cent to 100 per cent of the executive's annual base salary.

The committee approves any changes to the short-term incentive targets for executives, as well as the yearly payout amounts. Executive payouts are calculated based on salary, target percentages and actual performance results. The Bell Aliant results for July to December 2006 were 104.3 per cent of the short-term incentive plan target.

The table below summarizes the results for Bell Aliant (July to December 2006).

Measure	Weight	Actual Results
Distributable cash	30 per cent	30.0 per cent
Revenue	20 per cent	25.0 per cent
Customer experience index	30 per cent	33.3 per cent
Cost per customer	20 per cent	16.0 per cent
Total	100 per cent	104.3 per cent

Long-term Incentive Compensation

The long-term incentive compensation plan aligns executive performance with long-term growth in unitholder value. The long-term incentive plan targets in 2006 ranged from 80 per cent to 200 per cent of the named executive officer's annual base salary.

The long term incentive plan was established to support the objectives of employee ownership, to foster a responsible balance between short-term and long-term results, and to build and maintain a strong spirit of performance and entrepreneurship.

Deferred Unit Plan (DUP)

Selected executives and senior leaders are eligible to participate in the DUP. The board and trustees designate the key individuals to be granted deferred units, the date of the grant, the number of deferred units, vesting and performance conditions and the terms of the DUP.

Under the DUP, each deferred unit represents the right to receive one Fund unit provided certain performance and/or vesting criteria are met. Upon vesting, deferred units are held for the participant until the participant departs from Bell Aliant. The deferred units held in the account attract additional deferred units in respect of distributions by the Fund to Fund unitholders. The number of deferred units granted is based on the targeted long-term incentive compensation amount and a 5-day weighted average closing price of the Fund's units on the TSX prior to the grant. The final value of the earned units will depend on the fair market value of the Fund's units at the end of the performance or vesting period.

One-third of deferred units granted with respect to 2006 will vest in each of 2006, 2007 and 2008.

The maximum number of Fund units authorized for issuance under the DUP is 1,200,000 or approximately 0.5 per cent of the number of outstanding Fund units (on a fully diluted basis assuming the exchange of all Holdings Class 1 LP Units and Bell Aliant Exchangeable LP Units held by BCE and its affiliates).

Compensation at Risk for 2006

Executives at Bell Aliant are compensated for their impact on the organization's performance. The following table summarizes the compensation at risk targets for 2006 for Bell Aliant's named executive officers as they relate to base salary:

Executive level	Short-term incentive plan	Long-term incentive plan
Stephen Wetmore, Chief Executive Officer	100 per cent	200 per cent
Frank Fagan, Chief Operating Officer	75 per cent	150 per cent
Glen LeBlanc, Chief Financial Officer	70 per cent	125 per cent
David Rathbun, Chief Talent Officer	60 per cent	100 per cent
Fred Crooks, Chief Legal Officer	60 per cent	80 per cent

Ownership Guidelines

Bell Aliant has established unit ownership guidelines as a means of enhancing the alignment of executives' interests with those of the Fund's unitholders. The unit ownership guidelines for the named executive officers are as follows:

Ownership ¹ guidelines	
Executive	Unit ownership ²
Stephen Wetmore, Chief Executive Officer	4 x base salary
Frank Fagan, Chief Operating Officer	3 x base salary
Glen LeBlanc, Chief Financial Officer	3 x base salary
David Rathbun, Chief Talent Officer	3 x base salary
Fred Crooks, Chief Legal Officer	3 x base salary

Notes:

(1) Ownership is defined as ownership of Fund units and/or deferred units held in the DUP and PSUP (as defined in the *Report on Aliant compensation programs* section of this AIF).

(2) Guidelines are expected to be met within a period of 5 years from the date of appointment to the position.

Chief Executive Officer Compensation

Stephen Wetmore was appointed President and Chief Executive Officer of Bell Aliant on July 7, 2006. The total compensation components for the Chief Executive Officer include base salary, short-term incentive compensation and long-term incentive compensation. Significant emphasis is placed on compensation at risk. For 2006, the components were approximately 25 per cent base salary, 25 per cent short-term incentive compensation and 50 per cent long-term incentive compensation.

An independent compensation consulting firm, Towers Perrin, was retained by the committee to conduct a market review and analysis of total compensation for the Chief Executive Officer and other executives of Bell Aliant in 2006. Based on the review, the board approved the Chief Executive Officer's annual base salary at \$900,000, short-term incentive plan target at 100 per cent of annual base salary and long-term incentive plan target at 200 per cent of annual base salary.

For 2006, the Chief Executive Officer received a \$469,350 payout based on Bell Aliant achieving a 104.3 per cent result on the short-term incentive plan performance targets. The payout was calculated by multiplying Mr. Wetmore's 2006 Bell Aliant annual salary (pro-rated for the period July to December) by his short-term incentive plan target and the performance percentage.

The Chief Executive Officer received a long-term equity compensation grant of \$1,250,000 for 2006 under the DUP representing 42,823 deferred units.

The following table summarizes the compensation, including pension and other annual compensation, for the Chief Executive Officer commencing upon his appointment to Bell Aliant.

Stephen Wetmore	2006
President and Chief Executive Officer	\$
Base salary ¹	431,250
Performance based compensation	
Short-term incentive plan bonus	469,350
Target value of long-term incentive plan grant ²	1,250,000
Other compensation	
Annual pension cost ³	748,200
Perquisites	25,000
All other compensation ⁴	8,625
Total target compensation	2,932,425

Notes:

- (1) Amount based on salary since appointment to President and Chief Executive Officer of Bell Aliant on July 7, 2006. Annual salary for Mr. Wetmore is \$900,000.
- (2) Mr. Wetmore was awarded 42,823 deferred units under the deferred unit plan based on a unit price of \$29.19. The ultimate value of the equity compensation award is dependant on the fair market value of Fund units at the time of redemption.
- (3) See the *Retirement plans* section of this AIF for details.
- (4) All other compensation for Mr. Wetmore includes company contribution and interest earned in the employee ownership savings plan.

Compensation for Our Other Named Executive Officers

The following tables summarize the compensation including pension and other annual compensation for the named executive officers for the past three years.

Frank Fagan	2006	2005	2004
Chief Operating Officer	\$	\$	\$
Base salary	450,000	397,635	397,885
Performance based compensation			
Short-term incentive plan bonus	417,000	224,334	163,625
Target value of long-term incentive plan grant ¹	600,000 ²	660,094 ³	450,009 ⁴
Other compensation			
Annual pension cost ⁵	0	0	0
Perquisite	45,000	30,000	25,000
All other compensation ⁶	43,291	40,543	25,000
Total target compensation	1,555,291	1,352,606	1,061,609

Notes:

- (1) The ultimate value of these grants is dependent on the fair market value of Fund units at the time of redemption.
- (2) Mr. Fagan was awarded 20,555 deferred units under the deferred unit plan based on a unit price of \$29.19.
- (3) This represents the target value of the Aliant stock option grant and the performance share unit grants. The 2005 options were granted at \$29.25 and the performance share units were granted at a price of \$27.22 and \$29.22.
- (4) This represents the target value of the Aliant stock option grant and the performance share unit grant. The 2004 options were granted at \$32.39 and the performance share units were granted at a price of \$31.88.
- (5) See the *Retirement plans* section of this AIF for details.
- (6) All other compensation includes company contribution and interest earned in the employee ownership savings plan, plus a \$25,000 yearly retention bonus for Mr. Fagan.

Glen LeBlanc	2006	2005	2004
Chief financial officer	\$	\$	\$
Base salary	329,807	212,000	200,000
Performance based compensation			
Short-term incentive plan bonus	311,360	143,775	35,936
Target value of long-term incentive plan grant ¹	375,000 ²	325,679 ³	40,950 ⁴
Other compensation			
Annual pension cost ⁵	124,000	33,000	12,767
Perquisite	45,000	25,000	15,000
All other compensation ⁶	54,461	0	0
Total target compensation	1,239,628	739,454	304,653

Notes:

- (1) The ultimate value of these grants is dependent on the fair market value of Fund units at the time of redemption.
- (2) Mr. LeBlanc was awarded 12,847 deferred units under the deferred unit plan based on a unit price of \$29.19.
- (3) This represents the target value of the Aliant stock option grant and the performance share unit grants. The 2005 options were granted at \$29.25 and the performance share units were granted at a price of \$27.22 and \$29.22.
- (4) This represents the target value of the Aliant stock option grant and the performance share unit grant. The 2004 options were granted at \$32.39 and the performance share units were granted at a price of \$31.88.
- (5) See the *Retirement plans* section of this AIF for details.
- (6) All other compensation includes company contribution and interest earned in the employee ownership savings plan, plus a \$50,000 recognition bonus in 2006.

David Rathbun	2006	2005	2004
Chief Talent Officer	\$	\$	\$
Base salary	300,000	294,796	270,923
Performance based compensation			
Short-term incentive plan bonus	200,160	184,815	90,780
Target value of long-term incentive plan grant ¹	300,000 ²	363,507 ³	156,010 ⁴
Other compensation			
Annual pension cost ⁵	155,400	103,000	45,000
Perquisite	40,000	25,000	17,500
All other compensation ⁶	13,159	10,418	0
Total target compensation	1,008,719	981,536	580,213

Notes:

- (1) The ultimate value of these grants is dependent on the fair market value of Fund units at the time of redemption.
- (2) Mr. Rathbun was awarded 10,277 deferred units under the deferred unit plan based on a unit price of \$29.19.
- (3) This represents the target value of the Aliant stock option grant and the performance share unit grants. The 2005 options were granted at \$29.25 and the performance share units were granted at a price of \$27.22 and \$29.22.
- (4) This represents the target value of the Aliant stock option grant and the performance share unit grant. The 2004 options were granted at \$32.39 and the performance share units were granted at a price of \$31.88.
- (5) See the *Retirement plans* section of this AIF for details.
- (6) All other compensation includes company contribution and interest earned in the employee ownership savings plan.

Fred Crooks	2006	2005	2004
Chief Legal Officer	\$	\$	\$
Base salary	250,000	237,634	229,327
Performance based compensation			
Short-term incentive plan bonus	173,472	136,857	57,375
Target value of long-term incentive plan grant ¹	240,000 ²	319,604 ³	90,014 ⁴
Other compensation			
Annual pension cost ⁵	63,695	32,076	23,747
Perquisite	40,000	25,000	17,500
All other compensation ⁶	60,157	2,344	0
Total target compensation	827,324	754,058	417,963

Notes:

- (1) The ultimate value of these grants is dependent on the fair market value of Fund units at the time of redemption.
- (2) Mr. Crooks was awarded 8,222 deferred units under the deferred unit plan based on a unit price of \$29.19.
- (3) This represents the target value of the Aliant stock option grant and the performance share unit grants. The 2005 options were granted at \$29.25 and the performance share units were granted at a price of \$27.22 and \$29.22.
- (4) This represents the target value of the Aliant stock option grant and the performance share unit grant. The 2004 options were granted at \$32.39 and the performance share units were granted at a price of \$31.88.
- (5) See the *Retirement plans* section of this AIF for details
- (6) All other compensation includes company contribution and interest earned in the employee ownership savings plan, plus a \$50,000 recognition bonus in 2006.

Report on Aliant Compensation Programs

This section is a report on compensation information related to programs and plans of Aliant from January to July, 2006.

Composition and Mandate of the Aliant Committee

Aliant's human resources and compensation committee, whose mandate was substantially similar to the mandate of the Bell Aliant committee as previously outlined, consisted of the following four directors, none of whom were employed by Aliant and three of whom were independent: Charles Caty (chair), Miller Ayre, Charles White and Stephen Wetmore. Mr. Wetmore was the executive vice-president of BCE and group president corporate performance and national markets for Bell Canada. Before joining BCE and Bell Canada in 2002, Mr. Wetmore was President and Chief Executive Officer of Aliant.

Short-Term Incentive Compensation

The Aliant short-term incentive plan was designed to create a culture that rewarded employees by directly linking business strategy and individual performance, focusing people on key work activities and specific objectives.

In the first two quarters of 2006 the Aliant Balanced Scorecard measures and targets were used to assess performance with Aliant's strategic objectives. The Balanced Scorecard provided measures in four categories. Performance targets for each executive reflected the individual's area of responsibility and ability to influence Aliant's results.

For executives who were employed by Aliant and participated in the 2006 Aliant short-term incentive plan, payments were made and calculated by pro-rating the Aliant January to June 2006 results with the Bell Aliant July to December 2006 results.

Mid-Term Incentive Plans

The Aliant mid-term compensation program aligned and rewarded executive performance with the growth and creation of shareholder value. The program consisted of a performance share unit plan.

Performance share unit plan (**PSUP**)

The Aliant human resources and compensation committee granted Aliant share units to executives and selected senior leaders to align the mid-term incentive compensation payout with the total Aliant shareholder return under the PSUP. Each Aliant share unit represented 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.

Aliant's human resources and compensation committee approved the continuation of the Aliant PSUP following the completion of the Arrangement, with Aliant common shares being substituted with Fund units. PSUP share units granted in 2005 will vest on November 30, 2007, subject to performance conditions. The performance conditions consist of a comparison of the Fund's total unitholder return (unit price appreciation plus reinvestment of distributions) compared to the total unitholder return for comparative groups of companies.

No grants were awarded under this plan in 2006, and no additional grants will be made under this plan.

Personal performance share unit plan (**PPSUP**)

In 2005 a supplemental plan to the PSUP was created called the Aliant Personal Performance Share Unit Plan. All PPSUP share units granted under the supplemental plan scheduled to vest on November 30, 2006 were terminated in accordance with the plan as of July 5, 2006. No grants were awarded under this plan in 2006.

Performance share unit awards

The table below provides PSUP and PPSUP grant and payout information for Aliant's named executive officers:

Performance share units						
Name and principal position	Year of grant	Units granted ¹	Additional units earned ²	Total units as at December 31, 2006	Year of payout	Payout amounts (\$)
Jay Forbes	2005	18,761	1,139	0	2006	599,882
President and chief executive officer, Aliant	2005	4,023	126	0	2006	1,329,998 ³
	2004	16,797	1,409	0	2006	
	2003	21,370	2,403	0	2005	620,936
Frank Fagan	2005	7,897	774	8,671	2007	
Executive vice president and chief operating officer, Aliant	2005	7,278	228	0	2006	406,705 ³
	2004	7,058	592	0	2006	
	2003	9,930	1,116	0	2005	289,043
Glen LeBlanc	2005	1,162	114	1,276	2007	--
Senior vice president and chief financial officer, Aliant	2005	9,184	115	0	2006	249,536 ³
David Rathbun	2005	2,282	224	2,506	2007	---
Senior vice president, corporate and chief human resources officer, Aliant	2005	8,450	266	0	2006	305,029 ³
	2004	2,447	205	0	2006	
	2003	4,667	525	0	2005	139,677
Fred Crooks	2005	2,287	214	2,501	2007	
Senior vice president, general counsel and corporate secretary, Aliant	2005	7,333	366	0	2006	244,013 ³
	2004	1,412	146	0	2006	
	2003	488	40	0	2005	13,480

Notes:

- (1) Share units are subject to both time-based and performance-based vesting. The number of share units (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. See the section titled *Performance share unit plan* under *Report on Aliant compensation programs*.
- (2) Amounts represent number of share units earned through the reinvestment of dividends and distributions from the time of grant until the time of vesting. Dividends were credited to participants' account up until the completion of the Arrangement. As of July 7, 2006, participants' earned additional share units through the reinvestment of distributions.
- (3) Share units from the 2004 grant and the 2005 PPSUP grant which were scheduled to vest on November 30, 2006 were terminated in accordance with that plan on July 5, 2006. The amount represents the payout from both grants.

Long-term incentive plans

The Aliant long-term incentive compensation program aligned executive performance with long-term growth in shareholder value. Aliant's program consisted of the Aliant stock option plan.

Stock option plan

The stock option plan was terminated in accordance with that plan as of July 5, 2006. There were no stock option grants awarded in 2006.

Former Chief Executive Officer of Aliant

As Chief Executive Officer of Aliant from January 2006 until July 2006, Mr. Forbes was paid a base salary of \$340,384 and received the 2006 short term incentive payment of \$609,175 in respect to the results for the year. In accordance with the Aliant PPSUP (mid-term) and stock option plan which were terminated on July 5, 2006 as a result of the formation of Bell Aliant, Mr. Forbes received \$1,329,998 and \$1,151,250 respectively. Mr Forbes participated in the Aliant Employees' Stock Savings Plan in 2006; company contributions and interest earned in 2006 totalled \$26,261.

Mr. Forbes' employment agreement defined the terms of his severance and he received payments in accordance with that agreement. The severance pay included 30 months of base pay (\$1,475,000) and short-term incentive pay at target (\$1,475,000), the company contributions to Mr. Forbes' pension plan (\$442,500), perquisites amount for 30 months (\$87,500) and a relocation payment (\$49,167). Mr. Forbes was also eligible to receive his vacation pay (\$68,077).

The following table summarizes severance payments received by Mr. Forbes.

Jay Forbes Chief Executive Officer and President, Aliant	2006 \$
Severance Pay	
Base Pay (30 months)	1,475,000
Short term incentive plan (30 months)	1,475,000
Pension contributions	442,500
Other	204,744
Total	3,597,244

Mr. Forbes was also paid the total accrued value of his pension plan in the amount of \$485,162.

In addition, Mr. Forbes became eligible to receive payments related to mid-term and long-term incentive plans. This compensation would have normally vested in subsequent periods but was accelerated due to Mr. Forbes' departure from the organization. Mr. Forbes received payments of \$599,882 for the 2005 mid term incentive plan and \$1,696,250 for the 2006 long term incentive plan.

Report presented by the management resources and compensation committee:

Charles White (*chair*)
 Robert Dexter
 Lawson Hunter
 Karen Sheriff
 Victor Young

COMPENSATION OF OFFICERS

As prescribed by the Canadian securities regulatory authorities, the table below outlines total compensation paid by Bell Aliant or its subsidiaries to the named executive officers of Bell Aliant for 2004, 2005 and 2006.

Name and Principal position ¹	Year	Annual Compensation		Mid-Term and Long-term Compensation ³		
		Salary (\$)	Short-term incentive compensation ² (\$)	Bell Aliant deferred units/ Aliant common shares under options granted ⁴	Mid-term incentive payouts ⁶ (\$)	All other compensation (\$)
Stephen Wetmore President and Chief Executive Officer	2006	431,250	469,350	42,823	N/A	30,711 ⁵
Jay Forbes President and Chief Executive Officer, Aliant	2006	340,384	609,175	N/A	1,929,880	5,804,917 ^{5,7}
	2005	581,800	632,532	89,166	620,936	95,881 ⁵
	2004	546,096	342,975	69,399		114,610 ⁵
Frank Fagan Chief Operating Officer	2006	450,000	417,000	20,555	406,705	43,291 ^{5,8}
	2005	397,635	224,334	37,534	289,043	40,543 ⁸
	2004	397,885	163,625	29,159		25,000 ⁸
Glen LeBlanc Chief Financial Officer	2006	329,807	311,360	12,847	249,536	54,461 ⁵
	2005	212,000	143,775	5,525	N/A	0
	2004	200,000	35,936	5,307		0
David Rathbun Chief Talent Officer	2006	300,000	200,160	10,277	305,029	42,248 ⁵
	2005	294,796	184,815	10,846	139,677	23,135 ⁵
	2004	270,923	90,780	10,108		34,793 ⁵
Fred Crooks Chief Legal Officer	2006	250,000	173,472	8,222	244,013	118,186 ⁵
	2005	237,634	136,857	10,724	13,480	33,230 ⁵
	2004	229,327	57,375	5,832		23,627 ⁵

Notes:

- (1) Stephen Wetmore was appointed President and Chief Executive Officer of Bell Aliant on July 7, 2006. Prior to that date Mr. Wetmore held several positions with BCE and Bell Canada. Most recently, he was Executive Vice-President of BCE and Group President – Corporate Performance and National Markets of BCE and Bell Canada. Compensation amounts for Mr. Wetmore are based on earnings from July 7, 2006 to December 31, 2006.
- Frank Fagan was appointed Chief Operating Officer of Bell Aliant on July 7, 2006, prior to which he was Executive Vice-President and Chief Operating Officer of Aliant from October 2002.
- Glen LeBlanc was appointed Chief Financial Officer of Bell Aliant on July 7, 2006, prior to which he was Senior Vice-President and Chief Financial Officer of Aliant from September 2005, prior to which he was Vice-President Finance and Controller.
- David Rathbun was appointed Chief Talent Officer of Bell Aliant on July 7, 2006, prior to which he was Senior Vice-President Corporate and Chief Human Resources Officer of Aliant from July 2002.
- Fred Crooks was appointed Chief Legal Officer of Bell Aliant effective July 7, 2006, prior to which he was Senior Vice-President, General Counsel and Corporate Secretary of Aliant from October 20, 2003.
- (2) All short-term incentive compensation shown is in respect of the results for the year earned.
- (3) See *Long-term incentive compensation* for Bell Aliant and *Mid-term incentive compensation* and *Long-term incentive compensation* under *Report on Aliant compensation programs*.
- (4) In 2004 and 2005 grants were awarded under the Aliant stock option plan. See *Stock option plan* under *Report on Aliant compensation programs*. In 2006 grants were awarded under the Bell Aliant Deferred Unit Plan. See *Long-term incentive compensation*.

- (5) Includes amounts contributed or accrued, excluding notional investment income thereon, pursuant to the executive defined contribution pension plans; see *Retirement plans*. Employer contributions and interest paid to the named executive officers under the Employees' Unit Purchase Plan or the Employees' Stock Savings Plan are also included. In 2006, Fred Crooks and Glen LeBlanc received a recognition bonus of \$50,000.
- (6) The Aliant PPSUP terminated in accordance with the plan as of July 5, 2006. See *Personal performance share unit plan* under *Mid-term incentive compensation*.
- (7) Jay Forbes left Bell Aliant effective July 31, 2006. At the time of his departure he received payments as per his employment agreement. See *Former Chief Executive Officer of Aliant* under *Report on Aliant compensation programs*.
- (8) Mr. Fagan received special retention payments, totalling \$25,000 in each of the following years 2006, 2005 and 2004.

Termination of Employment, Change in Responsibilities and Employment Contracts

Mr. Wetmore's contract with Bell Canada was assumed by Bell Aliant as of July 7, 2006. Mr. Wetmore is entitled to receive, upon termination without cause, base pay and the short-term incentive at target for a period of 24 months. All outstanding BCE stock options would be considered fully vested.

Under the employment agreements with Mr. Rathbun, Mr. LeBlanc and Mr. Crooks, should they be terminated without cause, Bell Aliant shall provide the equivalent of 24 months cash compensation to the terminated employee. In addition, each of Mr. Rathbun and Mr. LeBlanc is entitled in such circumstances to commence receipt of pension benefits from his defined pension at age 55 (or the age at termination, if later) without actuarial reduction for early retirement. Mr. Fagan has no employment agreement.

Under the 2005 Aliant Performance Share Unit Plan, in the event of termination without cause, any unvested units will be considered fully vested for the current participants in the plan: Mr. Fagan, Mr. LeBlanc, Mr. Rathbun, and Mr. Crooks. Under the Bell Aliant DUP, in the event of termination without cause, the deferred units will be prorated to the length of time from the grant date to the termination date. The pro-rated units will vest at the end of the performance period determined at the time of grant.

Long-term Incentive Compensation – Awards in Most Recently Completed Financial Year

Long-term incentive plan grants under the DUP were made to executives of Bell Aliant for the year 2006. Below are actual grant amounts:

Name	Deferred units granted	Per cent of total Deferred units granted to employees for 2006	Vesting date of grant	Estimated Final Units ¹
Stephen Wetmore	42,823	14 per cent	1/3 2006; 1/3 2007, 1/3 2008	42,823
Frank Fagan	20,555	6 per cent	1/3 2006; 1/3 2007, 1/3 2008	20,555
Glen LeBlanc	12,847	4 per cent	1/3 2006; 1/3 2007, 1/3 2008	12,847
David Rathbun	10,277	3 per cent	1/3 2006; 1/3 2007, 1/3 2008	10,277
Fred Crooks	8,222	3 per cent	1/3 2006; 1/3 2007, 1/3 2008	8,222

Note:

- (1) Final number of units will increase with the attraction of distributions over the three year vesting period.

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

In 2006, one exercise of options by a named executive officer occurred prior to the termination of the Aliant stock option plan. Frank Fagan exercised 303 stock options at a grant price of \$13.089 for a net value of \$3,965.97 upon exercise. At the end of December 2006, the outstanding balance of Aliant stock options for all named executive officers who held Aliant stock options was zero as the Aliant stock option plan was terminated in connection with the Arrangement.

Payments in respect of termination of options in connection with the Arrangement

In connection with the Arrangement, holders of options to acquire Aliant common shares were permitted, in lieu of exercising such options, to require Aliant to pay to the holder, in respect of each Aliant common share under option, the amount by which the trading price of the Aliant common share exceeded the exercise price per Aliant common share under such option. Stephen Wetmore, Jay Forbes, Frank Fagan, Glen LeBlanc, David Rathbun, and Fred Crooks received cash payments of \$323,509, \$1,151,250, \$870,017, \$83,469, \$444,628 and \$63,647, respectively, and their options to acquire Aliant common shares were terminated.

Securities authorized for issuance under equity compensation plans

The following table shows, as of December 31, 2006, information regarding compensation plans under which equity securities of the Fund are authorized for issuance. The numbers shown under *Equity compensation plans approved by security holders* relate to the Bell Aliant DUP and the employee unit purchase plan. Please refer to the *Long-term incentive compensation* section of this AIF and to note 5 of the Fund's consolidated financial statements for the period ended December 31, 2006 for further information.

Plan category	Number of securities to be issued upon vesting of units	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	1,500,000 ¹	3,579,527 ²

Notes:

1. Includes a reserve of 1,200,000 for the deferred unit plan and a reserve of 300,000 for the matching deferred ownership plan. The matching deferred ownership plan is approved, but has not been implemented.
2. Includes the additional securities required for the employees unit purchase plan.

SHARE/UNIT PERFORMANCE

The cumulative total return chart and share/unit performance graph below were prepared based upon investing \$100 in Aliant common shares and using the year-end Aliant share price for the years 2001 to 2005 and the Fund unit price for 2006.

Cumulative total return¹

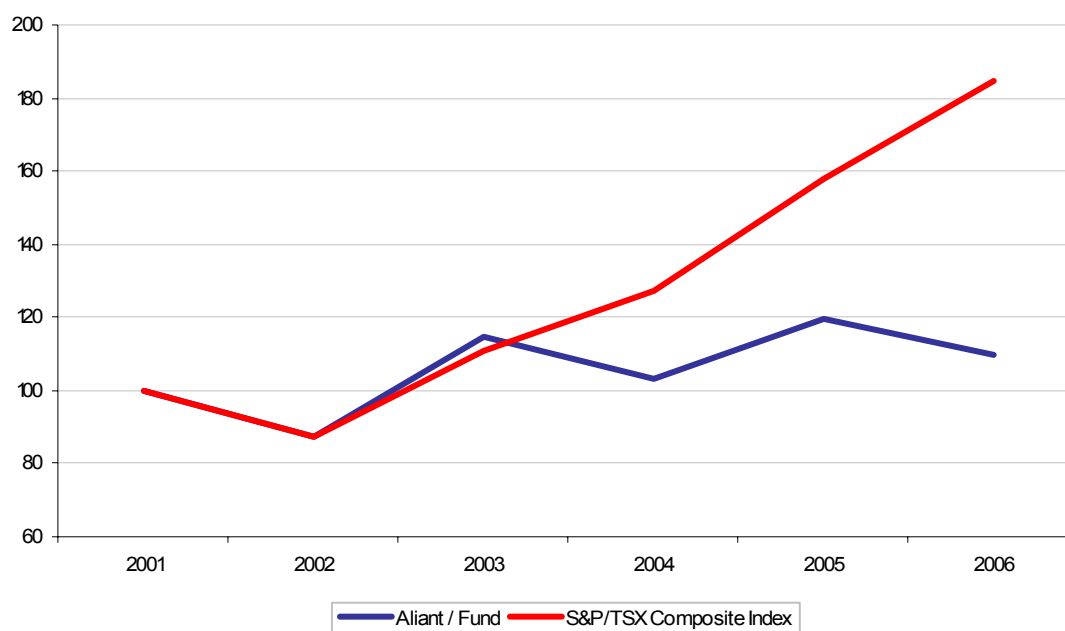
	2001	2002	2003	2004	2005	2006	Return ²
Aliant / Fund	100	87	115	103	120	110	1.9 per cent
S&P/TSX composite index	100	88	111	127	158	188	13.1 per cent

Notes:

- (1) The cumulative total returns for 2001 to 2005 are for Aliant and the 2006 result includes Aliant and Bell Aliant combined.
- (2) 5-year Compounded Annual Growth Rate.

Performance Graph

The performance graph is based upon an initial investment of \$100 invested in Aliant on December 31, 2001. For comparison purposes, shown below is the corresponding information in respect of the S&P/TSX composite index.



Retirement Plans

As part of the Arrangement, effective July 7, 2006, Bell Aliant assumed the obligations of Aliant for the pension plans and executive retirement plans. In addition, new plans were established for employees in Ontario and Quebec who transferred from Bell Canada to Bell Aliant and for new employees hired in Ontario and Quebec after July 7, 2006.

The amounts disclosed below are the approximate values of retirement plan obligations accrued as of December 31, 2006, the costs incurred during 2006, and the amounts payable upon retirement of the named executive officers. These amounts 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 Bell Aliant's post-employment benefit obligations and are disclosed in note 7 of Bell Aliant Holdings LP's consolidated financial statements for the year ended December 31, 2006.

Stephen Wetmore

Mr. Wetmore participates in the defined benefit provision of the Bell Aliant Pension Plan (Ontario and Quebec), and a supplementary retirement plan. The plans provide an annual pension per credited year of service of 1.0 per cent of his best 36 consecutive months' average pensionable earnings up to the Maximum Pensionable Earnings and 1.7 per cent of his best 36 consecutive months' average pensionable earnings over the Maximum Pensionable Earnings, to a maximum of 70 per cent of such earnings. Maximum Pensionable Earnings means the maximum pensionable earnings under the Canada Pension Plan for the year in which the plan member retires. Pensionable earnings include salary and short-term incentive payments up to target, but do not include long-term incentive or units reported in the summary compensation table. The supplementary plan provides for an additional half-year service for each year of service as a senior officer and at December 31, 2006, Mr. Wetmore had 11.3 credited years of service. The supplementary plan provides a survivor pension equal to 66.67 per cent of Mr. Wetmore's pension benefit. Mr. Wetmore's retirement arrangement provides for a benefit at age 55 that is at least equal to 25 per cent of his best 36 consecutive months' average pensionable earnings, plus an additional 3 per cent per year of pensionable employment after age 55 to a maximum of 55 per cent at age 65. At

retirement, the supplemental plan provides for a lump-sum payment equal to Mr. Wetmore's annual basic pay immediately prior to retirement. The estimated annual benefit for Mr. Wetmore at earliest retirement age is \$367,700. The total amount accrued under the registered pension plan and the supplementary pension plan as of December 31, 2006, related to Mr. Wetmore is approximately \$5,951,000. The total cost of retirement plans attributable to Mr. Wetmore's 2006 service is approximately \$748,200.

The following table illustrates the estimated minimum annual pension benefits payable to Mr. Wetmore, who is a member of a defined benefit pension plan, at retirement based on specified compensation levels and credited years of service.

Pension plan table (in dollars)

Pensionable Earnings	Credited years of service			
	15	20	25	30
500,000	147,000	197,000	247,000	275,000
900,000	264,600	354,600	444,600	495,000
1,000,000	294,000	394,000	494,000	550,000
1,100,000	323,400	433,400	543,400	605,000
1,200,000	352,800	472,800	592,800	660,000
1,300,000	382,200	512,200	642,200	715,000
1,400,000	411,600	551,600	691,600	770,000
1,500,000	441,000	591,000	741,000	825,000
1,800,000	529,200	709,200	889,200	990,000
2,000,000	588,000	788,000	988,000	1,100,000
2,200,000	646,800	866,800	1,086,800	1,210,000

Jay Forbes

Mr. Forbes participated in the Aliant executive retirement plan and was a member from his date of hire, February 19, 2001 until his employment terminated effective July 31, 2006. The plan is a non-contributory defined contribution retirement plan with Bell Aliant contributing 15 per cent of pensionable earnings. Pensionable earnings included salary and short-term incentive payments but did not include long-term incentive or units reported in the summary compensation table. Bell Aliant's contributions up to the personal income tax limit 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 for Mr. Forbes. The maximum contribution that could be made to registered retirement savings plans for 2006 was \$18,000. The total amount accrued as of July 31, 2006, for Mr. Forbes was \$485,162. The total cost of retirement plan contributions, including notional investment income attributable to 2006 service for Mr. Forbes was \$147,146.

Frank Fagan

Mr. Fagan participates in the Bell Aliant Defined Benefit Pension Plan and the supplementary executive retirement plan. Collectively, the plans provide an annual pension per credited year of service of 1.5 per cent of his 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 units 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, 2006, Mr. Fagan had 58.5 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, 2006, related to Mr. Fagan is approximately \$8,598,000. The total cost of retirement plans attributable to Mr. Fagan's 2006 service was zero as he has reached the highest pension percentage.

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

Pension plan table (in dollars)

Pensionable Earnings	Credited years of service			
	10	20	30	40
200,000	27,895	55,790	83,685	111,580
300,000	42,895	85,790	128,685	171,580
400,000	57,895	115,790	173,685	231,580
500,000	72,895	145,790	218,685	291,580
600,000	87,895	175,790	263,685	351,580
700,000	102,895	205,790	308,685	411,580
800,000	117,895	235,790	353,685	471,580
900,000	132,895	265,790	398,685	531,580
1,000,000	147,895	295,790	443,685	591,580

Glen LeBlanc

Mr. LeBlanc participates in the Bell Aliant Defined Benefit Pension Plan, a defined benefit registered pension plan, and a supplementary executive 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 recognition bonus, long-term incentive or units reported in the summary compensation table. At age 65, the pension benefit for service before 2005 is reduced to reflect benefits from the Canada Pension Plan. At December 31, 2006, Mr. LeBlanc had 11.28 credited years of service before 2005 and 2.0 credited years of service from January 1, 2005. The supplementary 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, 2006, was approximately \$1,359,000. The total cost of the plans attributable to Mr. LeBlanc's 2006 service is approximately \$124,000.

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)

Pensionable Earnings	Credited years of service			
	10	20	30	40
200,000	27,895	61,114	95,114	129,114
300,000	42,895	92,858	143,858	194,858
400,000	57,895	124,602	192,602	260,602
500,000	72,895	156,346	241,346	326,346
600,000	87,895	188,090	290,090	392,090
700,000	102,895	219,834	338,834	457,834
800,000	117,895	251,578	387,578	523,578
900,000	132,895	283,322	436,322	589,322

David Rathbun

Mr. Rathbun participates in the Bell Aliant Regional Communications, Limited Partnership Defined Contribution Pension Plan and a supplementary executive pension plan. The registered defined contribution pension plan, as it applies to Mr. Rathbun, is a plan under which he contributes 2 per cent of pensionable earnings and Bell Aliant contributes 6 per cent. The combined contributions are made to the registered pension plan up to the income tax limit (\$19,000 in 2006) 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 of 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 units 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, 2006, Mr. Rathbun had 9.1 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, 2006, related to Mr. Rathbun is approximately \$1,108,280. The total cost of retirement plan contributions attributable to Mr. Rathbun's 2006 service was approximately \$155,400, 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)

Pensionable Earnings	Credited years of service			
	10	20	30	40
200,000	27,895	55,790	83,685	111,580
300,000	42,895	85,790	128,685	171,580
400,000	57,895	115,790	173,685	231,580
500,000	72,895	145,790	218,685	291,580
600,000	87,895	175,790	263,685	351,580
700,000	102,895	205,790	308,685	411,580
800,000	117,895	235,790	353,685	471,580
900,000	132,895	265,790	398,685	531,580

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, 2006 was \$277,000 and the estimated annual benefit payable at normal retirement (age 60) is \$28,000.

Fred Crooks

Mr. Crooks participates in the Bell Aliant executive retirement plan and has been a member since his date of hire, October 20, 2003. The plan is a non-contributory defined contribution retirement plan with Bell Aliant contributing 15 per cent of pensionable earnings. Pensionable earnings include salary and short-term incentive payments but do not include recognition bonus, long-term incentive or units reported in the summary compensation table. Bell 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 Mr. Crooks. The maximum contribution that could be made to registered retirement savings plans for 2006 was \$18,000. The total amount accrued as of December 31, 2006, for Mr. Crooks was \$69,519. The total cost of retirement plan contributions, including notional investment income attributable to 2006 service for Mr. Crooks was approximately \$63,695.

COMPENSATION OF TRUSTEES AND DIRECTORS

Aliant

Compensation

During the period of January 1 through July 6, 2006, Aliant directors were compensated on the basis of annual retainers and meeting fees. The annual retainer for each eligible director was \$35,000, all of which was 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 received an annual retainer of \$22,000. Other committee chairs received an additional annual retainer of \$7,000, and committee members received an additional annual retainer of \$3,000. The chair of each committee received the committee member retainer in addition to the committee chair retainer. The meeting fee for each board and each committee meeting was \$1,500. These retainers and meeting fees applied to both standing committees and the special independent committee. The chair of the board of directors was 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 did not receive meeting fees for board and committee meetings. Non-employee members of the board were also reimbursed for travel and other out-of-pocket expenses incurred as a result of attending board and committee meetings.

Aliant directors who were employed by Aliant, its subsidiaries, BCE or Bell Canada did not receive such compensation. In the case of directors employed by BCE or Bell Canada, compensation was paid to Bell Canada. Mr. Mosey retired from his employment with BCE and Bell Canada effective June 1, 2005, and after that date was eligible to receive compensation from Aliant.

Share Unit Plan

The share unit plan was designed and implemented solely for members of the board of directors who were not employees of Aliant, its subsidiaries, BCE or Bell Canada. The share unit plan was intended to enhance Aliant's 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 Aliant's shareholders. Eligible directors and the chair could 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 were divided by the market value of an Aliant common share and converted to deferred share units. Dividends on share units were credited to each director's share unit plan account in the form of additional share units. Upon termination of board service, the directors received 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.

The Arrangement was completed on July 7, 2006, and as part of the Arrangement Aliant was amalgamated to form its successor corporation, Bell Aliant GP. The former Aliant board and committee members formed the board of Bell Aliant GP until July 27, 2006.

The share unit plan terminated in accordance with its terms on July 7, 2006 and share units held in the share unit plan were paid in cash. The payout for share units was calculated by multiplying the number of share units in each eligible director's share unit account on July 7, 2006 by the weighted average of the Fund unit price for the five trading days immediately preceding July 31, 2006.

Bell Aliant

Compensation

During the period from July 7, 2006 to the end of 2006, Bell Aliant Holdings GP directors were compensated on the basis of annual retainers and meeting fees. The annual retainer for each eligible director was \$35,000. In addition to the board retainer, the chair of the audit committee received an annual retainer of \$22,000. Other committee chairs received an additional annual retainer of \$7,000, and committee members received an additional annual retainer of \$3,000. The chair of each committee received the committee member retainer in addition to the committee chair retainer. The meeting fee for

each board and each committee meeting was \$1,500. The vice-chair and lead independent director was compensated on the basis of an annual retainer of \$200,000. The vice-chair did not receive meeting fees for board and committee meetings. Non-employee members of the board were also reimbursed for travel and other out-of-pocket expenses incurred as a result of attending board and committee meetings.

Effective January 1, 2007, the directors of Bell Aliant Holdings GP are compensated based on a fixed fee of \$110,000 for all directors including the chair of the board, with an additional \$40,000 retainer (total \$150,000) for the chair of the audit committee and a total retainer of \$200,000 for the vice-chair and lead independent director. Directors employed by the Fund, its subsidiaries, BCE or Bell Canada will not receive such compensation. In the case of directors employed by BCE or Bell Canada, compensation will be paid to Bell Canada as deemed appropriate by Bell Canada and Bell Aliant. 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. Fund trustees who are also directors of Bell Aliant Holdings GP do not receive compensation as trustees that is in addition to the compensation they receive as directors of Bell Aliant Holdings GP.

Deferred Unit Plan

The Bell Aliant Deferred Unit Plan for Trustees and Directors (the **Directors' DUP**) came into effect on January 1, 2007, subject to receipt of a favourable advance tax ruling from the Canada Revenue Agency. The Directors' DUP is intended to enhance the Fund's and Bell Aliant Holdings GP's ability to attract and retain high quality individuals to serve as directors and trustees and to promote a greater alignment of interests between non-employee directors and trustees and the unitholders of the Fund. Each director or trustee who is not an employee of the Fund, its subsidiaries, BCE or Bell Canada (an **Eligible Person**) is eligible to participate in the Directors' DUP. The Directors' DUP requires that 100 per cent of an Eligible Person's annual retainer be paid in the form of deferred units until the minimum unit ownership requirement is met, as outlined below. Once the minimum ownership requirement is met, the Directors' DUP provides that an Eligible Person shall continue to receive 100 per cent of any remaining annual retainer for that year in deferred units. In future years, an Eligible Person must elect to defer 25 per cent, 50 per cent or 100 per cent of their annual compensation to the Directors' DUP. At the end of each quarter, fees deferred are divided by the market value of a Fund unit and converted to deferred units. Distributions on deferred units are credited to each Eligible Person's account in the form of additional units at the end of each quarter. Upon termination of board service, the Eligible Person will receive from treasury Fund units equal to the deferred units recorded in the Eligible Person's account.

MINIMUM OWNERSHIP REQUIREMENTS

Aliant

Aliant directors were required to own a total of 3,000 Aliant common shares and/or share units under the deferred share unit plan within three years following their appointment. As noted above, directors who were employed by Aliant, its subsidiaries, BCE or Bell Canada did not receive compensation for their participation on the Aliant board. Those directors were therefore not required to meet share ownership requirements.

Bell Aliant

Bell Aliant Holdings GP directors are required to hold units and/or deferred units with a minimum combined market value of \$250,000 within three years following their appointment. Directors who are employed by the Fund, its subsidiaries, BCE or Bell Canada do not receive compensation. Those directors are therefore not required to meet unit ownership requirements. Mr. Wetmore, as President and CEO of Bell Aliant Holdings GP, is subject to a minimum unit ownership requirement of Fund units equal to four times his base salary. Fund unit ownership requirements can be found in the *Report on executive compensation*.