



Bell Aliant Inc.

**ANNUAL INFORMATION FORM
for the year ended December 31, 2010**

March 31, 2011

TABLE OF CONTENTS

| | Page |
|---|------|
| GENERAL MATTERS | 2 |
| CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS | 2 |
| CORPORATE STRUCTURE | 3 |
| Name, Address and Formation | 3 |
| Intercorporate Relationships | 4 |
| GENERAL DEVELOPMENT OF THE BUSINESS | 4 |
| Conversion | 4 |
| Three Year History | 5 |
| Recent Developments..... | 7 |
| DESCRIPTION OF THE BUSINESS | 8 |
| DESCRIPTION OF BELL ALIANT LP | 8 |
| General..... | 8 |
| Capitalization..... | 8 |
| Distributions | 9 |
| Allocation of Net Income and Losses..... | 9 |
| Transfer of Partnership Units | 9 |
| DESCRIPTION OF PREFCO | 9 |
| DESCRIPTION OF THE BELL NORDIQ PARTNERSHIPS | 9 |
| OTHER MATERIAL AGREEMENTS | 10 |
| Administration Agreement..... | 10 |
| Investor Liquidity Agreement | 10 |
| Securityholders' Agreement..... | 11 |
| RISK FACTORS | 13 |
| Regulatory Updates | 14 |
| DIVIDENDS AND DIVIDEND POLICY | 14 |
| Dividend Policy..... | 14 |
| Restrictions on Dividends..... | 15 |
| Distributions and Dividends Declared | 15 |
| DESCRIPTION OF CAPITAL STRUCTURE | 16 |
| General Description of Capital Structure | 16 |
| Constraints | 17 |
| MARKET FOR SECURITIES | 18 |
| Trading Price and Volume | 18 |
| DIRECTORS AND OFFICERS | 18 |
| Directors and Officers | 18 |
| Conflicts of Interest | 21 |
| LEGAL PROCEEDINGS | 21 |
| INTEREST OF EXPERTS | 21 |
| INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS | 21 |
| TRANSFER AGENT AND REGISTRAR | 22 |
| MATERIAL CONTRACTS | 22 |

TABLE OF CONTENTS
(continued)

| | Page |
|---|-------------|
| ADDITIONAL INFORMATION..... | 23 |
| SCHEDULE 1: AUDIT COMMITTEE INFORMATION..... | 24 |
| SCHEDULE 2: AUDIT COMMITTEE CHARTER..... | 27 |

GENERAL MATTERS

On January 1, 2011, Bell Aliant Regional Communications Income Fund (the **Fund**) completed a plan of arrangement that resulted in the conversion of the Fund from an income trust structure to a corporate structure, at which time the Fund was dissolved and terminated and was succeeded by **Bell Aliant Inc.** (the **Conversion**). In connection with the Conversion, certain of the subsidiary entities of the Fund were amalgamated or dissolved and terminated. See “General Development of the Business – Conversion” for further details.

Accordingly, throughout this Annual Information Form (**AIF**), unless otherwise specified or the context otherwise indicates, “we”, “us”, and “our” refer to Bell Aliant Inc. and, for periods prior to January 1, 2011, its predecessor entity the Fund. Similarly, unless otherwise specified or the context otherwise indicates, “Bell Aliant GP” refers to the amalgamated corporation Bell Aliant Regional Communications Inc. (**Bell Aliant GP**) resulting from the Conversion and, for periods prior to January 1, 2011, to its predecessor entity, Bell Aliant Regional Communications Holdings, Limited Partnership (**Bell Aliant Holdings LP**). For the period prior to January 1, 2011, “Fund Group” refers to, collectively, the Fund, Bell Aliant Holdings Trust (**Holdings Trust**), Bell Nordiq Trust, Bell Aliant Regional Communications, Limited Partnership (**Bell Aliant LP**), Bell Aliant Holdings LP, Bell Aliant Regional Communications Holdings Inc., Télébec, Limited Partnership (**Télébec LP**), NorthernTel, Limited Partnership (**NorthernTel LP**), the pre-Conversion Bell Aliant Regional Communications Inc., and their respective subsidiaries. For the period after December 31, 2010, “Bell Aliant Group” refers to, collectively, Bell Aliant Inc., Bell Aliant GP, Bell Aliant LP, Télébec LP, NorthernTel LP and their respective subsidiaries. “You” and “your” refers to a shareholder of Bell Aliant Inc. Certain capitalized bolded terms used throughout this AIF have the meanings set forth in the “Glossary”.

Under Canadian generally accepted accounting principles (**GAAP**), the Fund did not consolidate the financial results of Bell Aliant Holdings LP or its subsidiaries, and Bell Aliant Inc. will not consolidate the financial results of Bell Aliant GP or its subsidiaries. In 2010 Bell Aliant Holdings LP consolidated the operations of (i) Bell Aliant LP, (ii) Télébec LP and NorthernTel LP, and (iii) other subsidiary partnerships and corporations. Bell Aliant GP will consolidate the operations of (i) Bell Aliant LP, (ii) Bell Aliant Preferred Equity Inc. (**Prefco**), (iii) Télébec LP and NorthernTel LP (collectively the **Bell Nordiq Partnerships**) and (iv) other subsidiary partnerships and corporations. Bell Aliant GP is a reporting issuer under securities law in each Province in Canada (other than Ontario), and its AIF, financial statements and notes, management’s discussion and analysis (**MD&A**) and other continuous disclosure documents are posted on the System for Electronic Document Analysis and Retrieval (SEDAR) website of the Canadian securities administrators (www.sedar.com). Under the policies of the Canadian securities administrators, the financial statements and notes and MD&A of Bell Aliant GP will also be posted on the SEDAR website under Bell Aliant Inc.’s SEDAR profile. Bell Aliant LP and Prefco are also reporting issuers, but have obtained exemptive relief whereby they may satisfy certain of their continuous disclosure obligations under Canadian securities laws by simultaneously filing, under their SEDAR profiles, among other things, copies of continuous disclosure documents that Bell Aliant GP and Bell Aliant Inc. are required to file under Canadian securities laws. For information about Bell Aliant LP and its subsidiaries, readers are referred to the consolidated financial statements and notes and other continuous disclosure documents of Bell Aliant GP and its predecessor, Bell Aliant Holdings LP.

The information contained in this AIF is dated as of March 31, 2011, unless otherwise indicated. The financial information in this AIF relates to the Fund, derived from its consolidated financial statements and notes as at and for the year ended December 31, 2010. 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 information related to our future financial condition and results of operations and anticipated future events and circumstances, including in particular under the heading “Dividends and Dividend Policy”. The purpose of this forward-looking information is to provide the reader with information about our expectations and plans for 2011 or other future periods. Readers are cautioned that such information may not be appropriate for other purposes. This information is based on

our current expectations and estimates about the markets in which we and Bell Aliant GP operate and our beliefs and assumptions regarding these markets. Unless otherwise indicated, forward-looking information in this AIF describes our expectations at March 31, 2011. In some cases, forward-looking information may be identified by words such as “anticipate”, “believe”, “could”, “expect”, “plan”, “seek”, “may”, “intend”, “will”, “forecast” and similar expressions.

This information is subject to important risks and uncertainties, which are difficult to predict, and assumptions, which may prove to be inaccurate. Some of the risk factors which could cause results or events to differ materially from current expectations include but are not limited to: our economic dependence on Bell Aliant GP, and therefore all of the risks and uncertainties to which its operations are subject, including increasing competition and ability to achieve strategies and plans; general economic conditions and changing regulations; the unpredictability and volatility of our share price; structural subordination of our common shares; limitations on foreign ownership; and the provisions we make in respect of certain taxes which could materially change. Some of these risk factors are largely beyond our control. Refer to the “Assumptions made in the preparation of forward-looking information” and “Risks that could affect our business and results” sections in the Bell Aliant Holdings LP MD&A for the year ended December 31, 2010, the “Risk Management” section of our MD&A for the year ended December 31, 2010, each of which is incorporated by reference herein, and the “Risk Factors” section of this AIF for further discussion of these and other assumptions and risk factors.

Should any risk factor affect us in an unexpected manner, or should assumptions underlying the forward-looking information prove incorrect, the actual results or events may differ materially from the results or events predicted. Unless otherwise indicated, forward-looking information does not take into account the effect that transactions or non-recurring or other special items announced or occurring after this information is provided may have on our business. All of the forward-looking information reflected 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 will be realized or, even if substantially realized, that they will have the expected consequences for us. Except as may be required by Canadian securities laws, we disclaim any intention and assume no obligation to update or revise any forward-looking information, even if new information becomes available, as a result of future events or for any other reason. Readers should not place undue reliance on any forward-looking information.

See also the “Forward-looking information” section of our news release dated February 8, 2011, relating to 2010 earnings results of the Fund and Bell Aliant Holdings LP and 2011 financial guidance for Bell Aliant Inc. and Bell Aliant GP, which is available at www.bellaliant.ca as well as www.sedar.com.

CORPORATE STRUCTURE

Name, Address and Formation

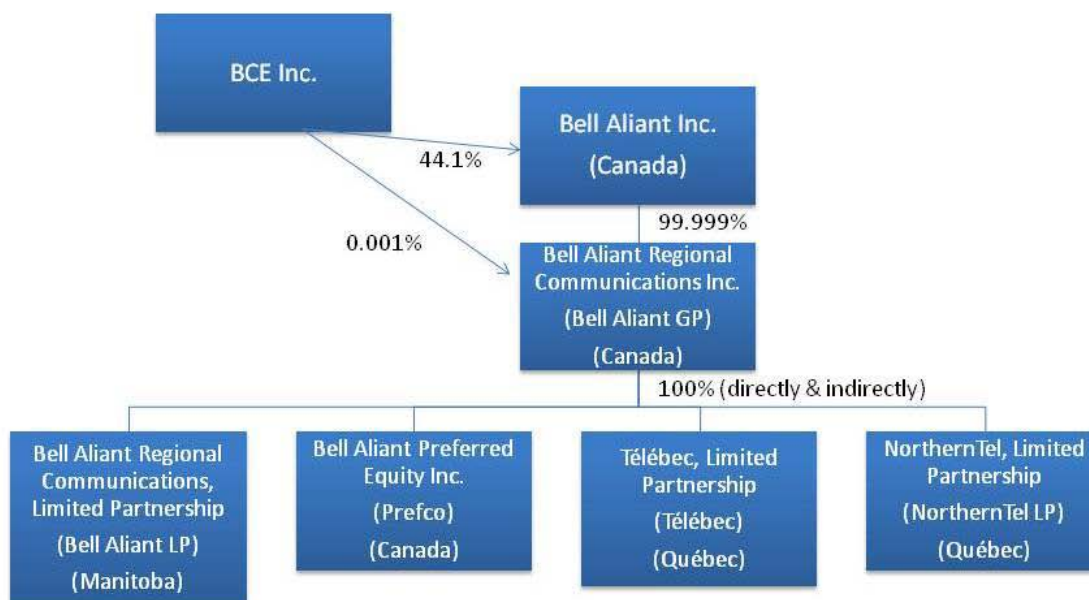
Bell Aliant Inc. is the successor to the Fund following the Conversion. The Fund was an unincorporated, limited purpose trust governed by the laws of Ontario that was created on March 30, 2006 and began to carry on business July 7, 2006 as the successor entity to Aliant Inc. (**Aliant**) pursuant to a plan of arrangement in which Aliant’s wireline telecommunications operation in Atlantic Canada, information technology (**IT**) operation and other related operations were combined with Bell Canada’s wireline telecommunications operation in certain of its regional territories in Ontario and Québec (**Bell Aliant Business**) and Bell Canada’s then 63.4 per cent indirect interest in the **Bell Nordiq Partnerships**.

Bell Aliant Inc. was incorporated as 7538502 Canada Inc. under the CBCA on April 30, 2010 and did not carry on any active business prior to the Conversion, other than executing the arrangement agreement pursuant to which the Conversion was implemented. Prior to the Conversion, Bell Aliant Inc. amended its articles to change its name, to add constraints on the ownership and voting of its voting shares relating to Canadian ownership and control requirements and to remove private company restrictions.

The registered and head office of Bell Aliant Inc. is located at 7 South Maritime Centre, 1505 Barrington Street, Halifax, Nova Scotia, B3J 2W3.

Intercorporate Relationships

The following diagram depicts significant entities within the Bell Aliant Group. (See also General Development of the Business - Conversion).



Certain subsidiaries, whose total assets individually represent less than 10 per cent of the consolidated assets of Bell Aliant GP, and whose total sales and operating revenues individually represent less than 10 per cent of the consolidated sales and operating revenues of Bell Aliant GP, 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 GP, have not been disclosed above.

BCE retains the right to nominate or appoint, as applicable, a majority of the directors of Bell Aliant Inc. and Bell Aliant GP, subject to certain conditions, for so long as BCE owns not less than 30 per cent of the outstanding common shares of Bell Aliant Inc. and certain commercial agreements between Bell Aliant LP and Bell Canada are in place. See “Other Material Agreements” and “Interest of Management and Others in Material Transactions” for more information about BCE’s ownership interest in Bell Aliant Inc. and Bell Aliant GP and other rights.

GENERAL DEVELOPMENT OF THE BUSINESS

Conversion

On January 1, 2011, the Fund completed the Conversion pursuant to a plan of arrangement under Section 192 of the CBCA. Under the plan of arrangement, all of the Fund Units and Exchangeable LP Units were exchanged for Bell Aliant Inc. Common Shares on a one-for-one basis. Consequently, the former Fund unitholders’ proportionate interests in Bell Aliant Inc., including the 44.1 per cent ownership interest held by BCE and Bell Canada (on an as-converted basis), were effectively unchanged from their previous interests in the Fund.

As a result of the Conversion, the former Fund unitholders and BCE and Bell Canada, the former holders of Exchangeable LP Units, became the sole shareholders of Bell Aliant Inc. Bell Aliant Inc. owns all but one of the voting common shares of Bell Aliant GP. BCE holds, indirectly, one voting common share of Bell Aliant GP. In turn, Bell Aliant GP and its wholly-owned subsidiary, 6583458 Canada Inc., hold all of the partnership interests in Bell Aliant LP, Télébec LP and NorthernTel LP, which continue to carry on

their respective businesses. The Fund, Bell Aliant Holdings Trust, Bell Nordiq Trust and Bell Aliant Holdings LP were dissolved and terminated under the plan of arrangement.

Under International Financial Reporting Standards (which are applicable for financial periods beginning on or after January 1, 2011), Bell Aliant GP will consolidate the operations of (i) Bell Aliant LP, which carries on the Bell Aliant Business, (ii) Prefco, (iii) the Bell Nordiq Partnerships and (iv) other subsidiary partnerships and corporations.

Three Year History

2008 Highlights

On January 1, 2008, a series of transactions was completed whereby the indirect 36.7 per cent interest in the Bell Nordiq Partnerships held through Bell Nordiq Trust was transferred to Bell Aliant Holdings LP (**Bell Nordiq Transfer**) for 8,246,429 Holdings Class 2 LP Units. Subsequently, Télébec LP and NorthernTel LP each issued one Class B limited partnership unit to Bell Nordiq Trust for nominal cash consideration. As a result of these transactions, the Fund indirectly held an 82.46 per cent non-controlling equity interest in Bell Aliant Holdings LP.

On January 3, 2008, we announced Bell Aliant Holdings LP's intention to acquire the assets and operations of Kenora Municipal Telephone System for approximately \$27 million. This acquisition was completed by Bell Aliant LP on February 1, 2008.

During the second quarter of 2008, we announced that we intended to eliminate the wholesale mobility products business of Atlantic Mobility Products Limited Partnership (AMP), a wholly-owned subsidiary of Bell Aliant GP, following the discontinuance of a significant contract AMP held with Bell Mobility.

Also during the second quarter, Bell Mobility in-sourced a significant portion of the operations of its wireless business in Atlantic Canada that had previously been outsourced to Bell Aliant LP since July 2006. This resulted in a reduction of approximately \$15-20 million of annualized revenues to Bell Aliant Holdings LP going forward.

On July 9, 2008, we announced that Stephen Wetmore, President and Chief Executive Officer of the Fund Group, would be leaving his position at the end of the year. On October 27, 2008, we announced that Karen Sheriff had been appointed President and Chief Executive Officer, effective November 3, 2008.

On August 5, 2008, we announced that CAE Professional Services (Canada) Inc. (**CAE**) had signed an asset purchase agreement to acquire Bell Aliant LP's Defence, Security and Aerospace business unit, which was then operated by the xwave division of Bell Aliant LP. The transaction closed on May 1, 2009. The proceeds on closing were \$16.3 million in cash and \$7.6 million in receivables from CAE related to post-closing balance sheet adjustments, with an additional \$8.5 million of proceeds contingent upon the occurrence of certain future events, for potential total proceeds of \$32.4 million. A pre-tax gain on sale of \$1.7 million was recorded in the second quarter of 2009, which was reflected in net loss from discontinued operations. In December 2010, Bell Aliant Holdings LP decreased the \$7.6 million receivable by \$4.6 million to \$3.0 million to recognize a provision for estimated loss on settlement of the post-closing balance sheet adjustments, and accordingly, reduced the gain recognized on sale by an equivalent amount. Two contingent payments totalling \$3.5 million were not triggered and expired during the year.

2009 Highlights

In the fourth quarter of 2008 we commenced a significant restructuring initiative and on January 12, 2009, announced a new organizational structure. The restructuring affected all levels of management across the Fund Group, which resulted in the reduction of approximately 500 management positions, representing about 15 per cent of management or 5 per cent of the overall workforce by the end of the first quarter of 2009.

In 2008, the Department of Finance released proposed amendments to the Tax Act to facilitate the conversion of existing income trusts, such as the Fund, into corporations on a tax-deferred basis. The final amendments were enacted into law on March 12, 2009.

On April 28, 2009, Bell Aliant LP filed a new medium-term note shelf prospectus that is available for future medium-term note issuances for a 25-month period. On May 15, 2009, Bell Aliant LP sold \$350 million principal amount of LP Notes under its shelf prospectus. The net proceeds were used primarily to repay bank debt.

On June 1, 2009, Bell Aliant LP concluded a share purchase agreement for Abilis Solutions Inc. to acquire 100 per cent of the outstanding shares of xwave New England Corp. for proceeds of \$4.9 million.

On July 7, 2009, Bell Aliant LP announced that, with support from the Government of New Brunswick, Bell Aliant LP would be the first in Canada to cover an entire city with fibre-to-the-home (**FTTH**) technology. Bell Aliant LP announced that it would invest \$60 million to serve 70,000 homes and businesses in Fredericton and Saint John by mid 2010. Our FTTH service, *FibreOP™*, gives customers access to an advanced broadband network delivered through 100 per cent fibre-optic technology connected directly to their homes.

On October 15, 2009, Bell Aliant LP announced the redesign of Bell Aliant LP's customer contact centre operations in Atlantic Canada. The new organization reduced the configuration of 16 contact centres to 5. Approximately 215 unionized employees were offered roles within one of the five remaining locations. Approximately 175 employees chose to leave the organization with a voluntary severance offer in early 2010.

On November 1, 2009, Bell Aliant LP completed a share purchase agreement whereby the senior leaders of Innovatia Inc. acquired all of its outstanding shares. We received \$1.5 million of proceeds on closing.

2010 Highlights

On February 3, 2010 we announced that Bell Aliant LP would more than double its 2009 spending on fibre technology in 2010 to carry *FibreOP* Internet and TV services. In May 2010 we announced that Bell Aliant LP planned to accelerate its FTTH plan and would invest a further \$350 million over 2011 and 2012 to pass over 600,000 homes or businesses, or one third of our competitive footprint, by the end of 2012. At the end of December 2010 Bell Aliant LP passed 138,000 homes and businesses with the technology. By the end of 2010, announcements had been made in partnerships with the governments of New Brunswick, Nova Scotia and Prince Edward Island that *FibreOP* services would be coming to certain cities in those provinces.

On April 27, 2010 we announced that a tentative Collective Agreement had been reached with the Communications, Energy and Paperworkers Atlantic Communications Council (CEPACC), representing close to 3,000 Bell Aliant LP unionized employees in Atlantic Canada. The agreement was not ratified by a vote in June 2010. Subsequently a revised agreement was reached which was ratified in September 2010, giving employees job security in exchange for a freeze on wages beginning in 2012 and other considerations.

On May 4, 2010 we announced our plans to recommend the Conversion to unitholders of the Fund. At that same time we announced that we expected the dividend to shareholders of Bell Aliant Inc. beginning in 2011 to be \$1.90 per year. The Conversion was approved by unitholders at the Fund's Annual and Special Meeting on June 16, 2010. The Conversion was completed on January 1, 2011. See "General Development of the Business – Conversion" for more details on the Conversion.

In September 2010, Bell Aliant LP issued \$350 million in medium term notes and used the net proceeds to redeem \$345 million of 4.72% medium term notes due to mature in September 2011.

On October 26, 2010 we announced that an agreement had been reached to sell Bell Aliant LP's xwave business, in its entirety, to Bell Canada for a purchase price of \$40 million. The transaction closed on January 1, 2011.

With the governments of Canada and Ontario and Nishnawbe Aski Nation (NAN), during 2010 we jointly announced the Northwestern Ontario Broadband Expansion Initiative. This initiative will bring a state-of-the-art backbone fibre optic network to 26 NAN communities in Ontario's far north, enabling speeds up to 50 times faster than current systems. This network build will take place over four years at an estimated cost of \$81 million, \$55 million of which will be jointly funded by the governments of Canada and Ontario. We also announced that Bell Aliant LP and Bell Canada had been selected by the Eastern Ontario Warden's Caucus to build a core backbone fibre network in Eastern Ontario. This network build will cost approximately \$82 million, \$55 million of which will be jointly funded by the governments of Canada and Ontario. These partnerships allow us to expand our telecommunications infrastructure to areas where we might not normally be able to given that they are remote, complex, and costly to service.

On December 23, 2010 we announced the completion of an agreement with Newfoundland Power Inc. and Fortis Inc. whereby Bell Aliant LP acquired an interest in certain poles for approximately \$57 million. We expect that the transaction will reduce our cash outlays for pole costs in future periods and improve **EBITDA**.

Recent Developments

On February 8, 2011, we issued 2011 financial guidance for Bell Aliant Inc. and Bell Aliant GP in a news release. Information on the 2011 outlook is contained in the "2011 financial guidance" section of the Bell Aliant Holdings LP MD&A for the year ended December 31, 2010 which is incorporated by reference herein and available on SEDAR at www.sedar.com.

On February 22, 2011, we announced that Prefco would issue \$250 million of Cumulative 5-Year Rate Reset Preferred Shares, Series A (**Series A Preferred Shares**) at a price of \$25.00 per share. These 10,000,000 Series A Preferred Shares were issued on March 15, 2011. The underwriters exercised an over-allotment option to purchase an additional 1,500,000 Series A Preferred Shares at the offering price and on March 25, 2011 an additional \$37.5 million of Series A Preferred Shares were issued, bringing the aggregate gross proceeds to \$287.5 million. The Series A Preferred Shares will pay cumulative dividends of \$1.2125 per share per annum, as and when declared by the board of directors, initially yielding 4.85 per cent, payable quarterly (with the first quarterly dividend to be paid on June 30, 2011), for the initial five year period ending March 31, 2016. The dividend rate will be reset on March 31, 2016 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 2.09 per cent. The Series A Preferred Shares will be redeemable by the issuer on or after March 31, 2016, in accordance with their terms. Holders of the Series A Preferred Shares will have the right, at their option, to convert their shares into Cumulative Floating Rate Preferred Shares, Series B (**Series B Preferred Shares**) subject to certain conditions, on March 31, 2016 and on March 31 every five years thereafter. Holders of the Series B Preferred Shares will be entitled to receive cumulative quarterly floating rate dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 2.09 per cent. Bell Aliant GP has fully and unconditionally guaranteed the payment of dividends, if, as and when declared by the board of directors of Prefco and, if applicable, the redemption price of the Series A and Series B Preferred Shares and amounts due on such shares on the liquidation, dissolution or winding-up of Prefco. The proceeds of the offering were partially used to make a \$200 million voluntary lump sum contribution to Bell Aliant LP's defined benefit pension plans with the remainder used for general corporate purposes including the repayment of short-term borrowing under Bell Aliant LP's commercial paper program.

For additional information about the Bell Aliant Group, please see the AIF of Bell Aliant GP for the year ended December 31, 2010, which is available on SEDAR at www.sedar.com.

DESCRIPTION OF THE BUSINESS

Bell Aliant Inc., through its operating subsidiaries, is one of North America's largest regional communications service providers and we have been serving customers for over a century. We offer a complete range of innovative information, communication and technology services including voice, data, Internet, video, wireless and valued-added business solutions to our customers across Atlantic Canada, Ontario and Québec.

We do not carry on any business directly. Our activities are generally restricted to holding securities of subsidiary entities, including Bell Aliant GP, and we are economically dependent on Bell Aliant GP. As we are indirectly affected by the events and transactions, financial and capital management activities, and risks and uncertainties that affect or are undertaken by Bell Aliant GP, these factors could materially influence the dividends we receive from Bell Aliant GP, and in turn, our ability to pay dividends to Shareholders. See the MD&A of the Fund for the year ended December 31, 2010, under "Risk management – Economic Dependence on Bell Aliant GP" for a description of the related risks.

The table below illustrates selected financial information for the Fund as reflected in its 2010 financial statements, as at and for the periods ended December 31.

| As reported (in \$ millions) | 2010 | 2009 |
|--|-------------|-------------|
| Total assets | \$3,386.7 | \$4,151.6 |
| Total liabilities | \$30.9 | \$30.8 |
| Total unitholders' equity | \$3,355.8 | \$4,120.8 |
| Net (loss) earnings from continuing operations | (\$401.0) | \$299.6 |
| Net loss from discontinued operations | (\$3.5) | (\$10.6) |
| Net (loss) earnings | (\$404.5) | \$289.0 |
| Distributions declared | \$369.4 | \$369.0 |

For additional information on Bell Aliant GP, please see Bell Aliant GP's AIF for the year ended December 31, 2010, which is available on SEDAR at www.sedar.com.

DESCRIPTION OF BELL ALIANT LP

Bell Aliant LP is the main operating entity on which we are dependent. 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 full text of the **Bell Aliant LP Partnership Agreement**, which is available on SEDAR at www.sedar.com.

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 units 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 LP Units held by Bell Aliant GP and a subsidiary of Bell Aliant GP, and Class B LP Units held by Bell Aliant GP. Prior to the Conversion, the Class B LP Units were held by Bell Canada and were exchangeable for Fund Units on a one-for-one basis. As part of the

Conversion, the Class B LP Units were acquired by Bell Aliant GP and the exchange rights ceased to exist.

Distributions

It is intended that Bell Aliant LP will declare distributions (or pay advances in lieu of distributions) to limited partners (after nominal distributions to Bell Aliant GP on its general partnership interest) of Bell Aliant LP's distributable cash, as determined by Bell Aliant GP in its sole discretion, in respect of each quarter. Bell Aliant LP may, in addition, make a distribution at any other time provided that no distributions may be made to holders of Class A LP Units unless an equivalent distribution is made to holders of Class B LP Units.

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, net of 0.001 per cent of such income allocated to the general partner, will be allocated to each limited partner in proportion to the cash of Bell Aliant LP distributed or advanced to such limited partners in respect of such year (other than distributions which are used by the partner to repay prior advances from 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.

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, 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 as defined in the Telecommunications Act or as defined in the Direction to the CRTC (Ineligibility of Non-Canadians) pursuant to the Broadcasting Act or not Canadian-owned and controlled as defined in the Radiocommunication 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 or Industry Canada under the Radiocommunication Act or the Telecommunications Act (as applicable and only if then required). Any transferee shall become a limited partner and be bound by the Bell Aliant LP Partnership Agreement.

DESCRIPTION OF PREFCO

Prefco is a wholly-owned subsidiary of Bell Aliant GP and was incorporated under the CBCA on January 31, 2011 for the sole purpose of being the issuer of preferred shares. In March 2011 Prefco issued 11,500,000 Series A Preferred Shares at a price of \$25.00 for gross proceeds of \$287.5 million. The net proceeds of the offering were loaned to Bell Aliant GP. Other than the loan, Prefco will have no significant assets and will not have any ongoing business operations of its own. It is not currently contemplated that Prefco will issue any securities, other than common shares to Bell Aliant GP and preferred shares, to any person, including debt securities.

DESCRIPTION OF THE BELL NORDIQ PARTNERSHIPS

Bell Aliant GP directly and indirectly holds a 100 per cent limited partnership interest in, and is the general partner of, each of the Bell Nordiq Partnerships. The Bell Nordiq Partnerships are each limited partnerships established under the laws of Québec. The Bell Nordiq Partnerships, operating under the Télébec, NorthernTel and certain other brands, are leading integrated providers of wireline (local access and long distance), data, cable TV, wireless, and other communications services to residential and business customers across regional areas of Québec and northern Ontario.

OTHER MATERIAL AGREEMENTS

Administration Agreement

Bell Aliant LP and Bell Aliant Inc. have entered into the Administration Agreement which is available on SEDAR at www.sedar.com. The following is a summary only and is qualified in its entirety by reference to the full text of the **Administration Agreement**. Under the terms of the Administration Agreement, Bell Aliant LP provides administrative and support services to Bell Aliant Inc. including, without limitation, those necessary to:

- (a) seek to ensure compliance by Bell Aliant Inc. with all applicable securities legislation and stock exchange rules, including continuous disclosure obligations;
- (b) provide investor relations services;
- (c) provide or cause to be provided to Shareholders all information to which Shareholders are entitled under Bell Aliant Inc.'s constating documents and applicable laws, including relevant information with respect to financial reporting and income taxes;
- (d) prepare for and hold all annual and/or special meetings of Shareholders, including preparing all materials (including notices of meetings and information circulars) in respect thereof and delivering or making available such materials to applicable Shareholders;
- (e) determine the amount of free cash flow and arrange for dividends to be paid to Shareholders as declared by the Bell Aliant Inc. Directors;
- (f) seek to ensure compliance with Bell Aliant Inc.'s limitations on non-Canadian ownership; and
- (g) generally provide all other services as may be necessary or as may be requested by Bell Aliant Inc.

The Administration Agreement shall, unless terminated in accordance with its terms, continue in full force and effect until July 6, 2016, and will be automatically extended for additional five-year periods unless notice of termination is given by Bell Aliant Inc. 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 Agreement

Upon completion of the Conversion, Bell Aliant Inc., Bell Aliant GP, Bell Aliant LP, BCE and Bell Canada entered into an amended and restated investor liquidity agreement dated January 1, 2011 (**Investor Liquidity Agreement**). The description below is a summary only and is qualified in its entirety by reference to the full text of the Investor Liquidity Agreement, which is available on SEDAR at www.sedar.com.

Restrictions on Actions of Bell Aliant Inc.

Under the Investor Liquidity Agreement, Bell Aliant Inc. 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 GP: (a) make any investment in any person other than the subsidiaries of Bell Aliant Inc. as at January 1, 2011; or (b) issue any Common Shares or other securities or repurchase outstanding Common Shares or other securities; or (c) issue any debt securities or guarantee the indebtedness of any person other than Bell Aliant Inc., Bell Aliant GP, Bell Aliant LP or their respective subsidiaries.

In addition, Bell Aliant Inc. has agreed that it shall not, directly or indirectly, consummate any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other person unless, among other things, such person agrees to be bound by the terms of the Investor Liquidity Agreement.

Demand Registration Rights

The Investor Liquidity Agreement provides that Bell Aliant Inc. 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 Common Shares then held by Bell Canada or BCE (or their respective assignees), subject to certain restrictions. Bell Aliant Inc. is required to use its best efforts to file a prospectus (**Demand Registration**) in order to permit the offer and sale or other disposition or distribution in Canada of all or any portion of the Common Shares held, directly or indirectly, by Bell Canada or BCE (or their respective assignees). Bell Aliant Inc. may satisfy its obligations through a shelf prospectus and applicable supplements. The Demand Registration rights are subject to the following limitations: (i) Bell Aliant Inc. 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 Bell Aliant Inc.'s most recent prospectus (other than a shelf prospectus); (ii) Bell Aliant Inc. is not required to cause a Demand Registration if two or more Demand Registrations have been completed within the preceding 12 months; and (iii) Bell Aliant Inc. is not required to file a Demand Registration unless the anticipated gross proceeds from the distribution will be not less than \$50 million.

Bell Aliant Inc. Participation

Bell Aliant Inc. may elect to include authorized but unissued Common Shares 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 Common Shares 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 Bell Aliant Inc. agrees to and the Common Shares 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 Agreement also provides Bell Canada and BCE (or their respective assignees) with "piggy-back" registration rights, subject to certain restrictions, requiring Bell Aliant Inc. to qualify for distribution under applicable securities laws all or any portion of the Common Shares owned, directly or indirectly, by Bell Canada or BCE (or their respective assignees) in the event that Bell Aliant Inc. proposes to file a prospectus to qualify Common Shares for distribution.

Co-operation on Spin-Off

Bell Aliant Inc., Bell Aliant LP, Bell Aliant GP 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 Common Shares to its shareholders, including without limitation by filing a prospectus or providing prospectus-level disclosure concerning Bell Aliant Inc., Bell Aliant LP, Bell Aliant GP and their subsidiaries in a proxy circular relating to any such distribution.

Securityholders' Agreement

Upon completion of the Conversion, Bell Aliant Inc., Bell Aliant GP, Bell Aliant LP, 6583458 Canada Inc., BCE and Bell Canada entered into the amended and restated securityholders' agreement dated January 1, 2011 (**Securityholders' Agreement**) which provides for, among other things, the size and composition of the board of directors of Bell Aliant GP, the size of and nominees for election to the board of Bell Aliant Inc., and certain other governance matters.

The description below is a summary only and is qualified in its entirety by reference to the full text of the Securityholders' Agreement, which is available on SEDAR at www.sedar.com.

Board of Directors of Bell Aliant GP

The Securityholders' Agreement provides that the number of directors of Bell Aliant GP will be between 9 and 15, with the number of directors to be fixed from time to time by the board of Bell Aliant GP. Currently the board of directors of Bell Aliant GP consists of 10 directors.

BCE and its affiliates are entitled to appoint up to a majority of the directors of Bell Aliant GP for so long as BCE, directly or indirectly, holds not less than 30 per cent of the Common Shares outstanding and the Major Commercial Agreements are in place. If the Major Commercial Agreements are terminated by any of the parties in accordance with their terms (other than a termination as a result of a material uncured intentional breach by Bell Aliant LP), or if BCE and its affiliates, directly or indirectly, hold less than 30 per cent of the Common Shares outstanding, BCE is entitled to appoint its proportionate share of the directors of Bell Aliant GP (rounded up to the next whole number) based on its direct and indirect ownership of Common Shares. In any event, BCE is entitled to appoint two directors to the board of Bell Aliant GP for as long as the Major Commercial Agreements are in place, irrespective of its ownership of Common Shares of Bell Aliant Inc. The BCE nominees to the board of Bell Aliant GP may be directors, officers or employees of BCE or its affiliates. Bell Aliant Inc. is entitled to appoint the balance of the directors of the board of Bell Aliant 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 GP Board

The Securityholders' Agreement provides that the board of Bell Aliant GP will establish an audit committee consisting of between three and five members appointed by the board of Bell Aliant GP. The board of Bell Aliant 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 Common Shares outstanding. For more information about the committees of the board of Bell Aliant GP, see "Directors and Officers".

Bell Aliant Inc. Directors

The persons to be elected as Bell Aliant Inc. directors will be nominated by the board of Bell Aliant Inc. and will be elected by Shareholders. The Securityholders' Agreement provides that the number of directors of Bell Aliant Inc. will be between 3 and 20, with the number of directors to be fixed from time to time by the board of Bell Aliant Inc. The principles set forth in the Securityholders' Agreement relating to the composition of the board of Bell Aliant GP also apply to the selection of nominees to stand for election as directors of Bell Aliant Inc.

Boards of Directors of Other Entities

The Securityholders' Agreement provides that the boards of directors of each material subsidiary of Bell Aliant Inc. shall be the same as the board of Bell Aliant 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 Common Shares outstanding, Bell Aliant Inc. and its subsidiaries shall not, directly or indirectly, without the affirmative vote of a majority of the board of Bell Aliant 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 Bell Aliant Inc. and its subsidiaries taken as a whole;
- (f) incur debt (including guarantees) such that the consolidated level of debt would be in excess of 2.5 times earnings before interest, taxes, depreciation and amortization and certain other items (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 investment activity of Bell Aliant Inc. shall be to (i) invest in and hold common shares and other debt or equity securities of Bell Aliant GP or debt securities of Bell Aliant LP; (ii) temporarily hold cash in interest bearing accounts or certificates of deposit, short-term government debt or investment grade corporate debt or money market mutual funds; and (iii) advance or lend monies received by Bell Aliant Inc. as a result of the ordinary course operation of compensation plans to subsidiaries of Bell Aliant Inc. and all business and investment activities shall occur at Bell Aliant GP or wholly-owned subsidiaries of Bell Aliant GP, unless BCE and Bell Canada otherwise agree.

Pre-Emptive Rights

The Securityholders' Agreement provides that, subject to certain exceptions, if any of Bell Aliant Inc., Bell Aliant GP or Bell Aliant LP or any of their subsidiaries authorizes the issuance of additional shares or partnership units or securities convertible into Common Shares, shares or partnership units, respectively, then it shall offer to sell to BCE or Bell Canada such 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 ownership of Common Shares.

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

RISK FACTORS

A discussion of the risks affecting us and our businesses appears in the "Risk management" section of the Fund's MD&A for the year ended December 31, 2010, which discussion is incorporated by reference in this AIF. See also the "Assumptions made in the preparation of forward-looking information" and "Risks that could affect our business and results" sections of the Bell Aliant Holdings LP MD&A for the year ended December 31, 2010, which are incorporated herein by reference. Both of these documents are available at www.bellaliant.ca as well as on SEDAR at www.sedar.com.

Regulatory Updates

Bell Aliant GP's business is affected by decisions made by the CRTC and the federal government. Refer to the "Regulatory developments" section of Bell Aliant Holdings LP's MD&A for the year ended December 31, 2010, for a complete discussion of regulatory developments which occurred up to and including March 9, 2011. Regulatory developments which have occurred since that date which are significant to Bell Aliant GP's business are described below.

Review of usage-based billing (UBB)

On March 17, 2011, the CRTC expanded its review proceeding to include an online consultation, an interrogatory process, and a public hearing in July 2011. On March 28, 2011, Bell Canada and Bell Aliant LP filed their initial submission in that proceeding, proposing a new aggregate volume pricing model for their residential wholesale Gateway Access Service (GAS).

Customer transfer process

On March 18, 2011, the CRTC issued Broadcasting and Telecom Regulatory Policy 2011-191 which simplified the transfer process when customers wish to change the provider from which they receive telecommunications and/or broadcasting services. The existing customer transfer processes for home phone, long distance and wireless services will be extended to Internet and television services such that the customer's new service provider will be able to cancel service from the current provider on the customer's behalf if the customer so authorizes.

Review of Local, Wireless, and Toll Interconnection Regimes

On March 23, 2011, the CRTC initiated a proceeding to review the local, wireless, and toll interconnection regulatory regimes. This will be a broad policy review of network interconnection matters aimed at determining to what extent existing interconnection regimes can be simplified and consolidated. The CRTC will also be considering whether changes are necessary to enhance competition and benefit consumers and to ensure technological neutrality. This proceeding will include a public hearing which will begin on October 24, 2011. It is not known at this time what impact the review will have on Bell Aliant GP.

Canadian broadcasting in new media

On March 24, 2011, the Supreme Court of Canada granted leave to appeal the Federal Court of Appeal's decision which had concluded that ISPs do not carry on, in whole or in part, broadcasting undertakings when, in their role as Internet service providers (ISPs), they provide access through the Internet to "broadcasting" requested by end-users.

DIVIDENDS AND DIVIDEND POLICY

Dividend Policy

We have announced that we expect our quarterly dividends to be declared at a rate of \$0.475 per Common Share or \$1.90 per Common Share annually. Our dividend policy targets a payout ratio of 75 – 85 per cent of free cash flow. Our objective is to deliver a sustainable high payout dividend to Shareholders while balancing the business priorities of our operating subsidiaries, including continuing to invest in broadband and maintaining investment grade credit ratings.

The target payout ratio and the declaration of future dividends are subject to the consideration of numerous factors and are at the discretion of our board of directors.

The aggregate distributions declared by the Fund to Unitholders, and by Bell Aliant Holdings LP and Bell Aliant LP to holders of their respective limited partnership units that were exchangeable into Fund Units, compared to combined distributable cash of the Fund Group and the resulting payout ratio for the years ended December 31, 2010, 2009, and 2008 are shown in the following table:

| Distribution Periods | Aggregate Distributions Declared (in millions) | Distributable Cash ⁽¹⁾ (in millions) | Payout Ratio (per cent) |
|-------------------------------|--|---|-------------------------|
| January 1 – December 31, 2008 | \$657.9 | \$715.6 | 91.9 |
| January 1 – December 31, 2009 | \$660.2 | \$773.4 | 85.4 |
| January 1 – December 31, 2010 | \$660.5 | \$710.5 | 93.0 |

(1) Distributable cash is a non-GAAP measure. For a reconciliation of cash from operating activities to distributable cash, please refer to the section entitled “Non-GAAP Financial Measures – Standardized distributable cash and distributable cash” in the Bell Aliant Holdings LP MD&A for the year ended December 31, 2010, which is available on SEDAR at www.sedar.com, which section is incorporated by reference herein.

Restrictions on Dividends

The declaration and payment of dividends by us is subject to solvency tests imposed by the CBCA. In the future, our dividends could become subject to restrictions imposed under Bell Aliant LP’s bank credit facilities. Bell Aliant LP’s credit agreement specifies that if credit ratings fall below investment grade (generally below the ‘BBB’ rating category), dividends during any 12 month period will be restricted to 100 per cent of the distributable cash (as defined in Bell Aliant LP’s credit agreement) generated during that 12 month period. Events of default under Bell Aliant LP’s credit agreement and medium-term note trust indenture would also restrict Bell Aliant GP’s ability, and ultimately our ability, to pay dividends. The trust indentures of the Bell Nordiq Partnerships also contain provisions that could restrict distributions by those partnerships if there were an event of default or in certain cases, if certain financial tests are not met.

Distributions and Dividends Declared

On February 5, 2008, the Fund announced an increase to its monthly distributions from \$0.2350 per Fund Unit to \$0.2417 per Fund Unit, commencing with the distribution for the month of February 2008, payable on March 14, 2008. The following table shows the distributions declared and paid by the Fund for 2008.

| Bell Aliant Cash Distribution 2008 | | | | |
|------------------------------------|--------------------|------------------------------|----------------------------|--------------------|
| Distribution Period | Record Date | Distribution (per fund unit) | Distribution (in millions) | Payment Date |
| January, 2008 | January 31, 2008 | \$0.2350 | \$29.8 | February 15, 2008 |
| February, 2008 | February 29, 2008 | \$0.2417 | \$30.7 | March 14, 2008 |
| March, 2008 | March 31, 2008 | \$0.2417 | \$30.7 | April 15, 2008 |
| April, 2008 | April 30, 2008 | \$0.2417 | \$30.7 | May 15, 2008 |
| May, 2008 | May 30, 2008 | \$0.2417 | \$30.7 | June 13, 2008 |
| June, 2008 | June 30, 2008 | \$0.2417 | \$30.7 | July 13, 2008 |
| July, 2008 | July 31, 2008 | \$0.2417 | \$30.7 | August 15, 2008 |
| August, 2008 | August 29, 2008 | \$0.2417 | \$30.7 | September 15, 2008 |
| September, 2008 | September 30, 2008 | \$0.2417 | \$30.7 | October 15, 2008 |
| October, 2008 | October 31, 2008 | \$0.2417 | \$30.7 | November 14, 2008 |
| November, 2008 | November 28, 2008 | \$0.2417 | \$30.7 | December 15, 2008 |
| December, 2008 | December 31, 2008 | \$0.2417 | \$30.7 | January 15, 2009 |

On February 2, 2009, the Fund announced that its monthly distributions would remain at \$0.2417 per Fund Unit for 2009. The following table shows the distributions declared and paid by the Fund for 2009.

| Bell Aliant Cash Distribution 2009 | | | | |
|---|--------------------|-------------------------------------|-----------------------------------|---------------------|
| Distribution Period | Record Date | Distribution (per fund unit) | Distribution (in millions) | Payment Date |
| January, 2009 | January 30, 2009 | \$0.2417 | \$30.7 | February 13, 2009 |
| February, 2009 | February 27, 2009 | \$0.2417 | \$30.7 | March 13, 2009 |
| March, 2009 | March 31, 2009 | \$0.2417 | \$30.7 | April 15, 2009 |
| April, 2009 | April 30, 2009 | \$0.2417 | \$30.7 | May 15, 2009 |
| May, 2009 | May 29, 2009 | \$0.2417 | \$30.8 | June 15, 2009 |
| June, 2009 | June 30, 2009 | \$0.2417 | \$30.8 | July 15, 2009 |
| July, 2009 | July 31, 2009 | \$0.2417 | \$30.7 | August 14, 2009 |
| August, 2009 | August 31, 2009 | \$0.2417 | \$30.8 | September 15, 2009 |
| September, 2009 | September 30, 2009 | \$0.2417 | \$30.8 | October 15, 2009 |
| October, 2009 | October 30, 2009 | \$0.2417 | \$30.7 | November 13, 2009 |
| November, 2009 | November 30, 2009 | \$0.2417 | \$30.8 | December 15, 2009 |
| December, 2009 | December 31, 2009 | \$0.2417 | \$30.8 | January 15, 2010 |

On February 2, 2010, the Fund announced that its monthly distributions would remain at \$0.2417 per Fund Unit for 2010. The following table shows the distributions declared and paid by the Fund for 2010.

| Bell Aliant Cash Distribution 2010 | | | | |
|---|--------------------|-------------------------------------|-----------------------------------|---------------------|
| Distribution Period | Record Date | Distribution (per fund unit) | Distribution (in millions) | Payment Date |
| January, 2010 | January 29, 2010 | \$0.2417 | \$30.7 | February 12, 2010 |
| February, 2010 | February 26, 2010 | \$0.2417 | \$30.8 | March 15, 2010 |
| March, 2010 | March 31, 2010 | \$0.2417 | \$30.8 | April 15, 2010 |
| April, 2010 | April 30, 2010 | \$0.2417 | \$30.7 | May 14, 2010 |
| May, 2010 | May 31, 2010 | \$0.2417 | \$30.8 | June 15, 2010 |
| June, 2010 | June 30, 2010 | \$0.2417 | \$30.8 | July 15, 2010 |
| July, 2010 | July 30, 2010 | \$0.2417 | \$30.8 | August 13, 2010 |
| August, 2010 | August 31, 2010 | \$0.2417 | \$30.8 | September 15, 2010 |
| September, 2010 | September 30, 2010 | \$0.2417 | \$30.8 | October 15, 2010 |
| October, 2010 | October 29, 2010 | \$0.2417 | \$30.8 | November 15, 2010 |
| November, 2010 | November 30, 2010 | \$0.2417 | \$30.8 | December 15, 2010 |
| December, 2010 | December 31, 2010 | \$0.2417 | \$30.8 | January 14, 2011 |

On May 4, 2010, as part of the announcement of the planned Conversion, we announced that we expected the dividend of Bell Aliant Inc. beginning in 2011 under a corporate structure to be \$1.90 per Common Share annually, declared and paid quarterly. On February 8, 2011, we announced that the board of directors of Bell Aliant Inc. had declared a quarterly dividend of \$0.475 per Common Share, payable on March 31, 2011, to Shareholders of record at the close of business on March 15, 2011.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The authorized capital of Bell Aliant Inc. consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series. The following is a summary of the rights, privileges, restrictions and conditions attaching to the shares of Bell Aliant Inc.

Common Shares

Holders of Common Shares will be entitled to one vote per share at meetings of shareholders of Bell Aliant Inc., to receive dividends if, as and when declared by the Board, subject to the rights of shares, if any, having priority over the Common Shares, and to receive *pro rata* the remaining property of Bell Aliant Inc. upon its liquidation, dissolution or winding-up, whether voluntary or involuntary, subject to the rights of shares, if any, having priority over the Common Shares. Ownership of the Common Shares is also subject to the constraints described under “Constraints – Limitation on Non-Resident Ownership”.

Preference Shares

Each series of preference shares shall consist of such number of shares and have such rights, privileges, restrictions and conditions as may be determined by the Board of Directors of Bell Aliant Inc. prior to the issuance thereof. Holders of preference shares, except as required by law or as provided in the rights, privileges, restrictions and conditions of a particular series, will not be entitled to vote at meetings of shareholders of Bell Aliant Inc. With respect to the payment of dividends and distribution of assets in the event of the liquidation, dissolution or winding-up of Bell Aliant Inc., whether voluntary or involuntary, the preference shares of each series shall rank on parity with the preference shares of every other series and are entitled to preference over the Common Shares. The preference shares may also be subject to the constraints described under “Constraints – Limitation on Non-Resident Ownership”.

Constraints

Limitation on Non-Resident Ownership

Under the Broadcasting Act, the Radiocommunication Act, the Telecommunications Act, the regulations thereunder, and the directions by the federal Cabinet to the CRTC, limitations are imposed on the non-Canadian ownership or control of our voting shares and certain powers are provided to us to maintain compliance with Canadian ownership and control requirements.

For these purposes, the constating documents of Bell Aliant Inc. provide that, for so long as such requirements are in force and applicable to us, the board of directors, or any person appointed by the Bell Aliant Inc. Directors to administer the affairs of Bell Aliant Inc., shall be entitled to use all remedies available from time to time, and be entitled to all protections set out from time to time, under the CBCA and under the Broadcasting Act, the Radiocommunication Act, the Telecommunications Act, the regulations thereunder, the related directions to the CRTC and applicable laws of Canada or a province of Canada, to determine, and to ensure, compliance with the applicable limitations including but not limited to any one or more of the following:

- (a) refusing to accept any subscription for voting shares from any non-Canadian;
- (b) refusing to register or otherwise recognize a transfer of any voting shares to a non-Canadian;
- (c) suspending the rights of a non-Canadian holder of voting shares to vote at a meeting of shareholders or otherwise vote such voting shares; and
- (d) selling, repurchasing, redeeming or otherwise acquiring any voting shares held by any non-Canadian,

in accordance with the procedures prescribed under those laws, regulations and directions, including those contained in the Canadian Telecommunications Common Carrier Ownership and Control Regulations (Canadian Ownership and Control Regulations). Bell Aliant Inc. monitors and periodically reports on the level of non-Canadian ownership of its Common Shares.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX under the trading symbol “BA”. Prior to the Conversion, the Fund Units were listed on the TSX under the trading symbol “BA.UN”. The following table shows the high and low trading prices of the Fund Units and the volume of trading on the TSX according to published sources for 2010.

| | <u>High (\$)</u> | <u>Low (\$)</u> | <u>Volume</u> |
|-----------|------------------|-----------------|---------------|
| January | 26.54 | 24.99 | 6,848,226 |
| February | 26.16 | 25.22 | 6,749,666 |
| March | 26.50 | 25.35 | 5,606,978 |
| April | 26.48 | 24.74 | 6,165,009 |
| May | 25.90 | 25.05 | 4,915,078 |
| June | 26.20 | 25.26 | 3,150,630 |
| July | 26.90 | 25.06 | 4,694,295 |
| August | 26.15 | 25.40 | 4,555,926 |
| September | 28.30 | 25.76 | 5,512,558 |
| October | 27.99 | 26.26 | 6,630,752 |
| November | 26.85 | 25.70 | 7,068,142 |
| December | 27.69 | 26.10 | 12,276,691 |

DIRECTORS AND OFFICERS

On March 1, 2011, the directors and officers of Bell Aliant Inc. and Bell Aliant GP, as a group, beneficially owned, directly or indirectly, or exercised control or direction over approximately 116,622 or 0.051 per cent of the Common Shares of Bell Aliant Inc.

Directors and Officers

The persons listed in the chart below serve as directors of Bell Aliant Inc. and Bell Aliant GP. Bell Aliant GP is the general partner of Bell Aliant LP, which serves as the administrator of Bell Aliant Inc. See “Other Material Agreements – Administration Agreement”. The term of office of the directors of Bell Aliant Inc. and Bell Aliant GP ends at the conclusion of the next annual meeting of shareholders of Bell Aliant Inc. and Bell Aliant GP, respectively. The composition of the board of directors of Bell Aliant GP and the nominees for election as directors of Bell Aliant Inc. is governed by the Securityholders’ Agreement described above under the heading “Other Material Agreements – Securityholders’ Agreement”. Except for Ms. Bennett, all of the directors listed below served as directors of Bell Aliant Holdings Inc. and Bell Aliant Regional Communications Inc. (the predecessor corporations of Bell Aliant GP) in 2010 and Messrs. Vanaselja, Dexter, Reevey and Tanguay served as Fund Trustees in 2010.

The board of directors of Bell Aliant GP has established the following committees: Audit, Governance, Management Resources and Compensation and Pension. The board of directors of Bell Aliant Inc. has established the same committees with the exception of the Pension Committee. 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 Inc. and Bell Aliant GP as at March 1, 2011, and the period during which they have served as a director (including as a director of Aliant, Bell Aliant Holdings Inc. and Bell Aliant Regional Communications Inc. (the predecessor corporations of Bell Aliant GP), and/or a Fund Trustee), are shown in the table below:

| Name and Committee Membership | Principal Occupation | Province and Country of Residence | Director Since ⁽¹⁾ |
|---|--|--|--------------------------------------|
| George Cope ⁽²⁾ (Chair) | President and Chief Executive Officer of BCE and Bell Canada | Ontario, Canada | July 2008 |
| Catherine Bennett Audit Committee | Chief Executive Officer of Bennett Restaurants Ltd., a restaurant operator and Bennett Group of Companies, a private holding company | Newfoundland and Labrador, Canada | February 2011 |
| Kevin Crull Pension committee | Chief Operating Officer of CTVglobemedia, a multimedia company | Ontario, Canada | July 2006 |
| Robert Dexter, Q.C. Audit committee, Governance committee (chair), and Management Resources Compensation committee (chair) | Chairman and Chief Executive Officer of Maritime Travel Inc., an independent travel company | Nova Scotia, Canada | April 1999 |
| Edward Reevey, FCA Lead Independent Director, Audit committee (chair), Pension committee (chair), Governance committee and Management Resources and Compensation committee | Chairman and Chief Executive Officer of Eedda Capital Inc., a private holding company | New Brunswick, Canada | April 1999 |
| Karen Sheriff ⁽²⁾ | President and Chief Executive Officer of Bell Aliant Inc. and Bell Aliant GP | Nova Scotia and Ontario, Canada | June 2004 |
| Andrew Smith ⁽³⁾ Pension committee | Senior Vice-President, Corporate Strategy and Mergers and Acquisitions of BCE Inc. and Bell Canada | Ontario, Canada | November 2008 |
| Louis Tanguay ⁽⁴⁾ Audit committee, Governance committee and Management Resources and Compensation committee | Corporate Director | Québec, Canada | July 2006 |
| Siim Vanaselja Governance committee, Management Resources and Compensation committee, and Pension committee | Executive Vice-President and Chief Financial Officer of BCE and Bell Canada | Québec, Canada | July 2008 |
| David Wells Governance committee and Management Resources and Compensation committee | Executive Vice-President of Corporate Services of Bell Canada | Ontario, Canada | July 2008 |

(1) Includes Aliant and Bell Aliant Holdings Inc. and Bell Aliant Regional Communications Inc. (the predecessor corporations of Bell Aliant GP) and trustee of the Fund.

(2) George Cope, chair of the Bell Aliant Inc. and Bell Aliant GP boards, and Karen Sheriff, chief executive officer may attend all committee meetings in a non-voting capacity.

(3) Andrew Smith was appointed to the board of Bell Aliant Holdings Inc., effective November 3, 2008 and resigned May 1, 2009. Mr. Smith was appointed to the board of Bell Aliant Holdings Inc. and to the Pension Committee effective June 16, 2010.

(4) Mr. Tanguay was a director of SR Telecom Inc. (SR Telecom). SR Telecom was subject to a management cease trade order exceeding 30 days from April 2, 2007 through July 19, 2007. On November 19, 2007, SR Telecom filed for protection from its creditors under the *Companies' Creditors Arrangement Act* (the "CCAA"). The CCAA proceedings were completed in December 2008.

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

- Mr. Cope was President and Chief Operating Officer of Bell Canada from October 2005 to July 2008.
- Mr. Crull was President, Residential Services of Bell Canada from September 2005 until November 2010 and was President - Consumer Solutions of Bell Canada from March 2005 to September 2005.
- Mr. Reevey was Chairman and Chief Executive Officer of Addee Developments Limited, a private holding company, until December 2006.
- Ms. Sheriff was Chief Operating Officer of Bell Aliant GP from July 2008 to November 2008 and President, Small and Medium Business of Bell Canada from June 2003 to July 2008.
- Mr. Smith was Vice-President, Corporate Development of BCE Inc. and Bell Canada from February 2007 to July 2008 and was Vice-President Mergers and Acquisitions BCE Inc., and Bell Canada from January 2005 to February 2007.
- Mr. Wells was a consultant to Bell Canada from January 2008 to July 2008. Prior to this he was Executive Vice-President of Employee Services with TELUS Mobility, a business operated by TELUS Corporation, from October 2000 to June 2006.

Victor Young, O.C., did not stand for re-election as a director of Bell Aliant Holdings Inc. and Bell Aliant Regional Communications Inc. (the predecessor corporations of Bell Aliant GP) or as trustee of the Fund (predecessor to Bell Aliant Inc.) and his term ended on June 16, 2010.

The following persons serve as executive officers of Bell Aliant GP and Bell Aliant Inc. The name, position with Bell Aliant GP and Bell Aliant Inc. and province of residence for each of the executive officers as at March 1, 2011, appears below:

| Name | Position with Bell Aliant | Province and Country of Residence |
|------------------------|--|--|
| George Cope | Chair | Ontario, Canada |
| Edward Reevey, FCA | Lead Independent Director | New Brunswick, Canada |
| Karen Sheriff | President and Chief Executive Officer | Nova Scotia and Ontario, Canada |
| Frederick Crooks, Q.C. | Executive Vice President Corporate Services, Chief Legal Officer and Secretary | Nova Scotia, Canada |
| Glen LeBlanc, FCMA | Executive Vice President and Chief Financial Officer | Nova Scotia, Canada |
| Mary-Ann Bell | Senior Vice President, Central | Québec, Canada |
| Charles Hartlen | Senior Vice President, Customer Experience | Nova Scotia, Canada |
| Daniel McKeen | Senior Vice President, Customer Solutions | Nova Scotia, Canada |

All of the executive officers have held their current position or other positions with Bell Aliant GP, the predecessor corporations of Bell Aliant GP (Bell Aliant Holdings Inc. and Bell Aliant Regional Communications Inc.), Aliant, or a wholly-owned subsidiary of any of the foregoing corporations during the past five years with the exception of the following:

- Mr. Cope was President and Chief Operating Officer of Bell Canada from October 2005 to July 2008.

- Mr. Reevey was Chairman and Chief Executive Officer of Addee Developments Limited, a private holding company, until December 2006.
- Ms. Sheriff was Chief Operating Officer of Bell Aliant GP from July 2008 to November 2008 and President, Small and Medium Business of Bell Canada from June 2003 to July 2008.
- Ms. Bell was Senior Vice-President Operations BRT (Bell Regional Territories) Transition with Bell Canada from November 2005 to July 2006. Prior to that she was Senior Vice-President Contact Centres with Bell Canada from June 2003 to November 2005.
- Mr. McKeen was Deputy Chair of External Affairs with Bragg Communications Inc., a telecommunications company operating under the EastLink brand, from July 2009 to October 2009. Prior to that he was co-Chief Executive Officer of Bragg Communications Inc., a telecommunications company operating under the EastLink brand from 1999 to July 2009.

Conflicts of Interest

Certain of the directors of Bell Aliant Inc. 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 Bell Aliant 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 Inc. and Bell Aliant GP.

LEGAL PROCEEDINGS

To the best of our knowledge, there are currently no outstanding material claims or litigation involving Bell Aliant Inc.

Note 23 to Bell Aliant Holdings LP's consolidated financial statements for the year ended December 31, 2010, incorporated by reference herein, describes important legal proceedings relating to Bell Aliant Holdings LP (now succeeded by Bell Aliant GP) 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 negative effect on Bell Aliant Inc.'s consolidated financial position or results of operations.

INTEREST OF EXPERTS

Deloitte & Touche LLP, the auditor of Bell Aliant Inc. and the Fund, has provided an audit report on the Fund's financial statements for the year ended December 31, 2010. Deloitte & Touche LLP was independent of the Fund, and is independent of Bell Aliant Inc., in accordance with the rules of professional conduct in the province of Nova Scotia.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

BCE had a 44.1 per cent voting interest in the Fund as at December 31, 2010, and a 44.1 per cent ownership interest in Bell Aliant Inc. as at March 31, 2011. 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 Common Shares outstanding, 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 GP and other material subsidiaries of Bell Aliant Inc. As long as BCE directly or indirectly holds not less than 20 per cent of the Common Shares outstanding, 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 shares, securities convertible into shares, or debt securities are issued by the Bell Aliant Inc. or its subsidiaries.

The business of Bell Aliant Inc.'s subsidiaries continues to be a core asset for BCE and that business is closely aligned with that of Bell Canada. The Bell Aliant Group has entered into a series of commercial agreements which govern the relationship with Bell Canada. These agreements provide the Bell Aliant 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 provided Bell Canada with the telecommunications and support services required for Bell Canada to operate its wireless business within Atlantic Canada; however, this was largely in-sourced by Bell Canada during 2008 and 2009. In addition, there is an extensive Commercial Relationship Management Agreement that governs the relationship with respect to marketing cooperation, customer primeship and non-competition, and branding. Further information regarding the relations with Bell Canada and BCE can be found under the "Material Contracts" section of Bell Aliant GP's AIF for the year ended December 31, 2010, which section is incorporated by reference herein, and available on SEDAR at www.sedar.com.

Other than as set out in this AIF, none of the Bell Aliant Inc. Directors or directors or executive officers, as applicable, of Bell Aliant 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 the Bell Aliant Inc., Bell Aliant GP, Bell Aliant LP or any of their subsidiaries.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is CIBC Mellon Trust Company at its principal office in Halifax, Nova Scotia, Canada.

MATERIAL CONTRACTS

The following is a list of the "material contracts" of Bell Aliant Inc. and the Bell Aliant Group required to be filed on SEDAR under National Instrument 51-102 - *Continuous Disclosure Obligations*, and that were entered into within the most recently completed financial year or prior to the most recently completed financial year and that are still in effect:

- the Securityholders' Agreement;
- the Administration Agreement;
- the Investor Liquidity Agreement;
- the amended and restated credit agreement, dated as of January 1, 2011, among Bell Aliant LP, as borrower, Bell Aliant Inc., Bell Aliant GP, 6583458 Canada Inc. and Prefco, as guarantors, and a syndicate of lenders which provides for a total of \$997,575,000 in bank credit facilities;
- the LP Notes Indenture dated September 14, 2006, as supplemented, among Bell Aliant LP, Bell Aliant Inc., Bell Aliant GP, 6583458 Canada Inc., and CIBC Mellon Trust Company providing for the issuance of medium term notes by Bell Aliant LP (including any supplement thereof);
- the Connecting and Operating Agreement, as described in note 25 to Bell Aliant Holdings LP's financial statements for the year ended December 31, 2010, which note is incorporated by reference herein;
- the Commercial Relationship Management Agreement, as described in note 25 to Bell Aliant Holdings LP's financial statements for the year ended December 31, 2010, which note is incorporated by reference herein;
- the Bell Licence Agreement;

- the Omnibus Term Sheet, as described under the “Material Contracts” section of Bell Aliant GP’s AIF for the year ended December 31, 2010, together with the following schedules:
 - Term Sheet #5 for the Master Services Agreement;
 - Term Sheet #6 for the Network Services Agreement;
 - Term Sheet # 8 for the Intellectual Property Licence Agreement; and
 - Term Sheet #11 for the Master Information Technology Services Agreement
- the Bilateral Intellectual Property Sharing Agreement as described under the “Material Contracts” section of Bell Aliant GP’s AIF for the year ended December 31, 2010;
- the asset purchase agreement dated October 26, 2010 between Bell Aliant LP and Bell Canada, relating to the sale of Bell Aliant LP’s xwave division to Bell Canada;
- the Series A Guarantee and the Series B Guarantee, as described under the “Material Contracts” section of Bell Aliant GP’s AIF for the year ended December 31, 2010; and
- the Nomination and Appointment Agreement as described under the “Material Contracts” section of Bell Aliant GP’s AIF for the year ended December 31, 2010.

Further information on each of these contracts not otherwise disclosed elsewhere in the AIF can be found under the “Material Contracts” section of Bell Aliant GP’s AIF for the year ended December 31, 2010, which section is incorporated by reference herein, and is available on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional information relating to Bell Aliant Inc., and its predecessor entity, the Fund, including its annual and quarterly financial statements, news releases and other continuous disclosure documents, may be found on SEDAR at www.sedar.com.

Additional information including directors’ and officers’ remuneration and indebtedness, principal holders of our securities and securities authorized for purchase under equity compensation plans, where applicable, will be contained in the information circular for Bell Aliant Inc.’s annual meeting of Shareholders.

Additional financial information is provided in the Fund’s financial statements and MD&A for the year ended December 31, 2010.

Bell Aliant Inc. is largely dependent on distributions from Bell Aliant GP to pay our dividends. Bell Aliant GP is a reporting issuer under Canadian securities laws in all provinces (other than Ontario), and its financial statements, MD&A and other continuous disclosure documents are posted on SEDAR (www.sedar.com). Under the policies of the Canadian securities administrators, the financial statements and MD&A of Bell Aliant GP will also be posted on the SEDAR website under Bell Aliant Inc.’s SEDAR profile. For information about Bell Aliant GP and its subsidiaries, readers are referred to the consolidated financial statements and other continuous disclosure documents of Bell Aliant GP.

In addition, quarterly reports, annual reports and supplementary information can be found under the “Investor” section on our website at www.bellaliant.ca.

SCHEDULE 1: AUDIT COMMITTEE INFORMATION

1. The Audit Committee's Charter

As at March 31, 2011, the Audit Committee (**committee**) of Bell Aliant Inc. consisted of 4 Directors. The committee's charter is available in the governance section of Bell Aliant's website at www.bellaliant.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 committee's charter.

2. Composition of the Audit Committee

The committee is composed of the following four members: Edward Reevey (chair), Catherine Bennett, Robert Dexter and Louis Tanguay. 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 National Instrument 52-110 - *Audit Committees* (NI 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 Canadian securities regulators have stipulated certain relationships which are deemed to affect independence.

The Board of Bell Aliant Inc. is responsible for determining whether a director is "independent" for the purposes of NI 58-101 and NI 52-110 on the advice of the governance committee. In making this determination, the board and committee assess whether a director has any material relationship with Bell Aliant Inc. or any of its affiliates which could reasonably interfere with the exercise of independent judgment. To assist with this process, information is obtained 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 NI 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/her duties as a member of the committee.

Edward Reevey, F.C.A., is Chair of the committee. Mr. Reevey is Chairman and Chief Executive Officer of Edda Capital Inc., a private holding company. He holds a Bachelor's degree in Commerce from Dalhousie University and a Chartered Accountancy designation. He has been a Chartered Accountant Fellow since 1998. Mr. Reevey worked previously with Clarkson Gordon & Co., (now Ernst & Young) 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 and was Chairman and Chief Executive Officer of Addee Developments Ltd. until 2006.

Catherine Bennett has been chief executive officer of Bennett Restaurants Ltd. and Bennett Group of Companies since 1999 and 2007, respectively. She is a director of Nalcor Energy, Newfoundland and Labrador Hydro and Bull Arm Site Corporation.

Robert Dexter, Q.C., holds both a Bachelor's degree in Commerce and a Bachelor's degree in Law from Dalhousie University and was appointed Queen's Counsel in 1995. He is Chairman and Chief Executive Officer of Maritime Travel Inc. and is also counsel to the law firm Stewart McKelvey. He is Chair of the Audit Committee of High Liner Foods Inc. and Chairman of Empire Company Limited.

Louis Tanguay is a Corporate Director. Mr. Tanguay was President and Chief Executive Officer of Bell Canada International Inc. from 2000 to November 2001 and Vice-Chairman of Bell Canada International Inc. from 2001 to May 2003. Mr. Tanguay holds a Bachelor's degree in Commerce from Concordia University. He serves on the Audit Committee of Saputo Inc. (chair), and has served on the Audit Committees of Canbras Communications Corp., Medisys Health Group Inc. and SR Telecom Inc.

4. Reliance on Certain Exemptions

The Fund did not rely on any of the exemptions in sections 2.4 (De Minimis Non-audit Services), 3.2 (Initial Public Offerings), 3.4 (Events Outside Control of Member), 3.5 (Death, Disability or Resignation of Audit Committee Member) or Part 8 (Exemptions) at any time since January 1, 2010.

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

The Fund did not rely on the exemption in subsection 3.3(2) (*Controlled Companies*) or section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*) at any time since January 1, 2010.

6. Reliance on Section 3.8

The Fund did not rely on section 3.8 (*Acquisition of Financial Literacy*) at any time since January 1, 2010.

7. Audit Committee Oversight

At no time since January 1, 2010 did the board or Fund Trustees not adopt a recommendation of the committee to nominate or compensate an external auditor.

8. Pre-Approval Policies and Procedures

In compliance with NI 52-110, the committee is responsible for the appointment, compensation and oversight of the work of the external auditor. Bell Aliant Inc. has adopted an Auditor Independence Policy, a comprehensive policy governing all aspects of the Bell Aliant 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 Bell Aliant 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 Bell Aliant Inc.'s website at www.bellaliant.ca.

9. External Auditor Service Fees (By Category)

| | <u>2010</u> | <u>2009</u> |
|------------------------------------|-----------------|-----------------|
| Fees paid to Deloitte & Touche LLP | | |
| Audit fees | \$23,000 | \$23,000 |
| Audit-related fees | <u>20,993</u> | <u>17,100</u> |
| | <u>\$43,993</u> | <u>\$40,100</u> |

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, consultations about financial accounting and reporting matters and French translation of quarterly and annual reports.

SCHEDULE 2: AUDIT COMMITTEE CHARTER

AUDIT COMMITTEE CHARTER

I. Purpose

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

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

In this Charter, references to the "**Board**" refer to the Board of Directors of Bell Aliant Inc., Bell Aliant Regional Communications Inc., and 6583458 Canada Inc., as applicable.

II. Duties and Responsibilities

The Audit Committee shall perform the functions customarily performed by audit committees and any other functions assigned by the Board.

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 Bell Aliant's selection or application of accounting principles, and major issues as to the adequacy of Bell Aliant'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 Bell Aliant; and
 - 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 or information).
2. Meet to review and discuss with management and the external auditor, report and, where appropriate, provide recommendations to the Board on the following prior to its public disclosure:
 - a. the annual and interim consolidated financial statements, Bell Aliant's disclosure within Management's 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 Bell Aliant; and
 - 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.

In addition to the role of the Audit Committee to make recommendations to the Board, where the members of the Audit Committee consider that it is appropriate and in the best interest of Bell Aliant, the interim consolidated financial statements, the interim Bell Aliant's disclosure within Management's Discussion and Analysis for interim period, and interim earnings news releases and earnings guidance, may also be approved on behalf of the Board by the Audit Committee, provided that such approval is subsequently reported to the Board.

3. Review and discuss reports from the external auditor on:
 - a. all critical accounting policies and practices used by Bell Aliant;
 - 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 oversight of the work of the external auditor and any other auditor preparing or issuing an audit report or performing other audit review or attest services for Bell Aliant or any consolidated subsidiary of Bell Aliant, where required and review, report and where appropriate, provide recommendations to the Board on the nomination, terms and review of engagement, removal, independence and proposed compensation 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 Bell Aliant and any consolidated subsidiary of Bell Aliant and any other auditor preparing or issuing an audit report or performing other audit review or attest services for Bell Aliant or any consolidated subsidiary of Bell Aliant, where required;
3. Pre-approve all engagements for permitted non-audit services provided by the external auditor to Bell Aliant and any consolidated subsidiary of Bell Aliant and to this effect may establish policies and procedures for the engagement of the external auditor to provide to Bell Aliant and any consolidated subsidiary of Bell Aliant permitted non-audit services;
4. Delegate, if deemed appropriate, authority to one or more members of the Audit Committee to grant pre-approvals of audit, review or attest services 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 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 Bell Aliant; (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; and
 - 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; and
11. Approve the appointment (including the terms thereof and any changes thereto), or removal, of the auditors for Bell Aliant'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 on the following:
 - a. the appointment and mandate of internal audit, including the responsibilities, budget and staffing of Bell Aliant's internal audit;
 - b. 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; and
 - c. the periodic reports regarding internal audit findings, including Bell Aliant's internal controls, and Bell Aliant'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 Bell Aliant's internal control system*

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

E. *Oversight of Bell Aliant's risk management*

1. Review, monitor, report and, where appropriate, provide recommendations to the Board on the following:
 - a. Bell Aliant's processes for identifying, assessing and managing risk; and
 - b. Bell Aliant's major financial risk exposures and the steps Bell Aliant has taken to monitor and control such exposures.
2. Review, monitor, report and, where appropriate, provide recommendations to the Board on Bell Aliant's risk management and insurance program; and
3. Review, monitor, report and, where appropriate, provide recommendations to the Board on Bell Aliant's outsourcing relationship with Bell Canada.

F. *Oversight of Bell Aliant's environmental risks*

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

G. *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 on the adequacy of Bell Aliant's process for complying with laws and regulations; and
2. Receive, on a periodic basis, reports from Bell Aliant's Chief Legal Officer, with respect to legal issues.

H. *Miscellaneous*

1. Making recommendations to the Board regarding the appointing and removing of Bell Aliant's CFO.

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

- A. The Audit Committee shall evaluate and review with the Governance Committee of the Board, 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, on an annual basis, the adequacy of the Audit Committee Charter; and
- C. The Audit Committee shall report to the Board 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. Bell Aliant 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.

VI. *Audit Committee Chair*

The Chair of the Audit Committee shall be appointed by the Board. 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 Independent Director and the CEO, 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 CEO, the Corporate Secretariat, the Board chair, and the Lead Independent Director, determine the frequency, dates and locations of meetings of the Audit Committee;
- E. In consultation with the CEO, the CFO, the Corporate Secretariat and, as required, other senior executives, review the Audit Committee 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 Independent 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 CEO, the CFO, the Corporate Secretariat and, as required, other senior executives, the adequacy and timing of materials in support of management's proposals;
- H. Report to the Board on the matters reviewed by, and on any decisions or recommendations of, the Audit Committee at the next meeting of the Board following any meeting of the Audit Committee; and
- I. Carry out any special assignments or any functions as requested by the Board.

VII. Term

The members of the Audit Committee shall be appointed or changed by resolution of the Board 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, 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 Audit Committee, the Corporate Secretary of Bell Aliant 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.

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.

GLOSSARY

“Administration Agreement” means the amended and restated administration agreement dated January 1, 2011 between Bell Aliant LP and Bell Aliant Inc., as the same may be amended, supplemented or restated from time to time;

“AIF” means annual information form;

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

“AMP” means Atlantic Mobility Products Limited Partnership;

“BCE” means BCE Inc.;

“Bell Aliant Business” has the meaning given to such term under “Corporate Structure – Name, Address and Formation”;

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

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

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

“Bell Aliant Inc. Directors” means at any time, the individuals who are the directors of Bell Aliant Inc. at such time;

“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 amended and restated limited partnership agreement dated January 1, 2011 in respect of Bell Aliant LP as the same may be amended or amended and restated from time to time;

“Bell Nordiq Partnerships” means NorthernTel LP and Télébec LP;

“Bell Nordiq Transfer” means a series of transactions completed on January 1, 2008 whereby the indirect 36.7 per cent interest in the Bell Nordiq Partnerships held through Bell Nordiq Trust was transferred to Bell Aliant Holdings LP;

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

“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;

“Common Shares” means the common shares in the capital of Bell Aliant Inc.;

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

“Conversion” means the transaction that converted the Fund from an income trust to a corporate structure;

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

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

“EBITDA” refers to earnings before interest, taxes, depreciation and amortization expenses and certain other items. This term may have a different meaning from that used in Bell Aliant Holdings LP’s MD&A for the year ended December 31, 2010, or in various agreements to which we are party, wherein the term will be defined in those agreements where it is used;

“Exchangeable LP Units” means, collectively, the limited partnership units of Bell Aliant Holdings LP and Bell Aliant LP that were, prior to the Conversion, held, directly or indirectly, by BCE and that were, together with the accompanying Special Voting Units, exchangeable for Fund Units;

“Fund” means Bell Aliant Regional Communications Income Fund, a trust that was 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 January 1, 2011 that established and governed the Fund;

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

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

“GAAP” means Canadian generally accepted accounting principles;

“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 that was established under the laws of the Province of Québec;

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

“IT” means information technology;

“LP Notes” means medium-term notes issued by Bell Aliant LP under its LP Notes Indenture dated September 14, 2006;

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

“MD&A” means management’s discussion and analysis;

“Non-Resident” means (i) a person who is not a resident of Canada within the meaning of the Tax Act or (ii) a partnership that is not a Canadian partnership for the purposes of the Tax Act;

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

“Prefco” means Bell Aliant Preferred Equity Inc., a corporation formed under the CBCA as a wholly-owned subsidiary of Bell Aliant GP for the sole purpose of being the issuer of preferred shares for the Bell Aliant group;

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

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

“Series A Preferred Shares” has the meaning given to such term under “General Description of the Business – Recent Developments”;

“Series B Preferred Shares” has the meaning given to such term under “General Description of the Business – Recent Developments”;

“Shareholders” means the holders of Common Shares from time to time;

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

“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;

“TSX” means the Toronto Stock Exchange; and

“Unitholders” means the former holders of Fund Units.