



**Bell Aliant Regional Communications
Income Fund**

**Supplementary Information
(unaudited)**

First Quarter 2010

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May 4, 2010

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

Supplementary Information (unaudited)

Basis of Presentation

The Supplementary Information contained herein presents the results of Bell Aliant Regional Communications Income Fund (Bell Aliant Income Fund or the Fund) and the results of its principal operating subsidiary, Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP).

Readers are cautioned that the Supplementary Information is unaudited and some of the financial measures presented herein do not have standard meanings prescribed by Canadian generally accepted accounting policies (GAAP). See "Non-GAAP Financial Measures" section.

Certain amounts presented in this Supplementary Information are rounded. Accordingly, the columns and rows may not add to the totals presented.

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BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
BELL ALIANT INCOME FUND
Supplementary Information (unaudited)
Highlights
(millions of dollars, except as otherwise indicated)

	2010	2009				
	Q1	Total	Q4	Q3	Q2	Q1
BELL ALIANT INCOME FUND						
Net earnings						
Equity income from investments	\$63.8	\$303.6	\$80.2	\$80.7	\$76.3	\$66.4
Expenses	0.6	4.0	0.8	0.7	1.5	1.0
Net earnings from continuing operations	\$63.2	\$299.6	\$79.4	\$80.0	\$74.8	\$65.4
Net earnings (loss) from discontinued operations	-	(10.6)	(2.1)	(5.7)	(3.4)	0.6
Net earnings	\$63.2	\$289.0	\$77.3	\$74.3	\$71.4	\$66.0
Distributions						
Distributions declared	\$92.3	\$369.0	\$92.3	\$92.3	\$92.3	\$92.1
Distributions declared per Fund unit	\$0.725	\$2.900	\$0.725	\$0.725	\$0.725	\$0.725
Unitholders' capital (000's)						
Fund units publicly held, beginning of period	127,264	126,984	127,255	127,239	127,228	126,984
Issued (redeemed)	13	280	9	16	11	244
Fund units publicly held, end of period	127,277	127,264	127,264	127,255	127,239	127,228
Exchangeable units held by BCE Inc. / Bell Canada	100,374	100,374	100,374	100,374	100,374	100,374
Deferred units, dilutive	742	739	739	432	437	438
Fully diluted Fund units, end of period	228,393	228,377	228,377	228,061	228,050	228,040
Average units outstanding - basic	127,271	127,211	127,261	127,247	127,237	127,098
Average units outstanding - fully diluted	228,387	228,324	228,374	228,053	228,048	227,910
Market data						
Market capitalization ⁽¹⁾	\$5,803.5		\$6,401.4	\$6,383.4	\$6,009.1	\$5,495.8
Market price						
High	\$28.40		\$28.10	\$27.99	\$26.74	\$26.85
Low	\$24.99		\$26.21	\$25.60	\$23.60	\$23.01
Close	\$25.41		\$28.03	\$27.99	\$26.35	\$24.10
Distribution yield ⁽²⁾	11.4%		10.3%	10.4%	11.0%	12.0%

⁽¹⁾ Market capitalization - fully diluted Fund units, end of period multiplied by market close price.

⁽²⁾ Distribution yield - distributions declared per Fund unit divided by market close price. This calculation is annualized.

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
BELL ALIANT HOLDINGS LP
Supplementary Information (unaudited)
Highlights
(millions of dollars, except as otherwise indicated)

	2010 Q1	Total	Q4	2009 Q3	Q2	Q1
BELL ALIANT HOLDINGS LP						
Financial measures						
Operating revenues	\$778.6	\$3,174.2	\$785.6	\$785.8	\$784.5	\$818.3
EBITDA ⁽²¹⁾	\$353.7	\$1,466.4	\$365.6	\$374.9	\$367.2	\$358.7
EBITDA ⁽²¹⁾ margin	45.4%	46.2%	46.5%	47.7%	46.8%	43.8%
Operating income	\$147.1	\$621.6	\$142.9	\$163.7	\$164.5	\$150.5
Current year Q over same Q last year growth						
Operating revenues	(\$39.7) (4.9%)	(\$72.1) (2.2%)	(\$17.6) (2.2%)	(\$20.8) (2.6%)	(\$22.3) (2.8%)	(\$11.4) (1.4%)
EBITDA ⁽²¹⁾	(\$5.0) (1.4%)	\$16.1 1.1%	\$0.0 0.0%	\$3.9 1.1%	\$6.8 1.9%	\$5.4 1.5%
EBITDA ⁽²¹⁾ margin	1.6% 3.7%	1.5% 3.4%	1.0% 2.2%	1.7% 3.7%	2.1% 4.7%	1.2% 2.8%
Operating income	(\$3.4) (2.3%)	\$21.1 3.5%	\$30.2 26.8%	(\$7.6) (4.4%)	\$2.7 1.7%	(\$4.2) (2.7%)
Operating statistics						
Network Access Services (NAS)	2,887,641		2,926,221	2,969,922	3,012,113	3,043,793
NAS net declines	(38,580)	(155,519)	(43,701)	(42,191)	(31,680)	(37,947)
As a percentage, in the period	(1.3%)	(5.0%)	(1.5%)	(1.4%)	(1.0%)	(1.2%)
High-speed Internet (HSI) customers	822,113		809,866	797,682	782,719	771,675
HSI customers net additions	12,247	52,713	12,184	14,963	11,044	14,522
As a percentage, in the period	1.5%	7.0%	1.5%	1.9%	1.4%	1.9%
HSI customer net additions, normalized for one-time adjustment ⁽⁷⁾		50,683	10,154			
As a percentage, in the period		6.7%	1.3%			
Cash flow measures						
Capital expenditures	\$94.7	\$464.8	\$121.1	\$114.7	\$121.7	\$107.3
Capital intensity ⁽³⁾	12.2%	14.6%	15.4%	14.6%	15.5%	13.1%
Free cash flow ⁽²²⁾	\$50.9	\$655.0	\$210.2	\$180.7	\$172.9	\$91.2
Distributable cash ⁽¹⁴⁾	\$200.3	\$773.4	\$182.5	\$207.8	\$186.6	\$196.5
Distributable cash ⁽¹⁴⁾ per Fund unit ⁽⁴⁾	\$0.877	\$3.387	\$0.799	\$0.911	\$0.818	\$0.862
Distributions declared ⁽⁵⁾	\$165.1	\$660.2	\$165.1	\$165.1	\$165.1	\$164.9
Payout ratio ⁽⁶⁾	82.4%	85.4%	90.5%	79.5%	88.5%	83.9%
Current year Q over same Q last year growth						
Distributable cash ⁽¹⁴⁾	\$3.8 1.9%	\$57.8 8.1%	\$36.3 24.8%	\$28.5 15.9%	\$3.3 1.8%	(\$10.3) (5.0%)

⁽³⁾ Capital intensity - capital expenditures divided by operating revenues.

⁽⁴⁾ Distributable cash ⁽¹⁴⁾ per Fund unit - Distributable cash ⁽¹⁴⁾ divided by average fully diluted Fund units outstanding.

⁽⁵⁾ Distributions declared - sum of distributions declared by the Fund and distributions declared by Bell Aliant Holdings LP and Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP) on exchangeable units held by BCE Inc. and Bell Canada.

⁽⁶⁾ Payout ratio - distributions declared divided by Distributable cash ⁽¹⁴⁾.

⁽⁷⁾ As a result of a comprehensive review of our subscriber metrics, we made a one-time adjustment to HSI customers number, increasing Q4 2009 HSI customers net additions by 2,030.

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

Supplementary Information (unaudited)

(millions of dollars, except as otherwise indicated)

BELL ALIANT HOLDINGS LP

Summary of quarterly financial results

	2010	2009				
	Q1	Total	Q4	Q3	Q2	Q1
BELL ALIANT HOLDINGS LP						
Net earnings						
Operating revenues	\$778.6	\$3,174.2	\$785.6	\$785.8	\$784.5	\$818.3
Operating expenses	424.9	1,707.8	420.0	410.9	417.3	459.6
EBITDA ⁽²¹⁾	353.7	1,466.4	365.6	374.9	367.2	358.7
Net cost of benefit plans	22.2	85.1	20.4	20.0	22.5	22.2
Depreciation and amortization	172.8	715.0	184.2	177.4	177.1	176.3
Restructuring and other charges	11.6	44.7	18.1	13.8	3.1	9.7
Operating income	147.1	621.6	142.9	163.7	164.5	150.5
Other expenses (income)	0.9	11.4	(0.8)	(0.8)	12.8	0.2
Interest charges	39.5	158.4	41.9	40.0	39.0	37.5
Income tax recovery	(3.8)	(56.1)	(24.0)	(8.4)	(15.8)	(7.9)
Non-controlling interest	32.7	134.9	30.7	34.1	33.8	36.3
Net earnings from continuing operations	77.8	373.0	95.1	98.8	94.7	84.4
Net loss from discontinued operations	-	(16.8)	(2.5)	(7.0)	(5.4)	(1.9)
Net earnings	\$77.8	\$356.2	\$92.6	\$91.8	\$89.3	\$82.5

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

Supplementary Information (unaudited)

(millions of dollars, except as otherwise indicated)

BELL ALIANT HOLDINGS LP

Operating revenues and growth

		2010	2009				
		Q1	Total	Q4	Q3	Q2	Q1
Operating revenues							
Local and access		\$322.9	\$1,356.9	\$336.0	\$341.8	\$340.9	\$338.2
Long distance		97.1	423.9	\$100.4	111.2	106.3	106.0
Data:	Internet	111.2	427.0	109.1	109.1	106.0	102.8
	Other	92.9	401.0	103.7	98.7	101.2	97.4
	Total data	204.1	828.0	212.8	207.8	207.2	200.2
Information technology:	IT services	22.5	88.5	20.0	22.1	22.7	23.7
	Fulfillment	73.0	216.2	46.7	39.2	41.7	88.6
	Total IT	95.5	304.7	66.7	61.3	64.4	112.3
Wireless		21.0	88.8	23.5	24.3	21.2	19.8
Other revenues:	Product sales	13.8	61.8	19.6	12.1	15.7	14.4
	Rentals	5.4	25.1	5.8	6.2	6.5	6.6
	Other	18.8	85.0	20.8	21.1	22.3	20.8
	Total other revenues	38.0	171.9	46.2	39.4	44.5	41.8
		\$778.6	\$3,174.2	\$785.6	\$785.8	\$784.5	\$818.3
Current year Q over same Q last year growth							
Local and access		(\$15.3)	(\$49.4)	(\$14.5)	(\$15.0)	(\$11.3)	(\$8.6)
		(4.5%)	(3.5%)	(4.1%)	(4.2%)	(3.2%)	(2.5%)
Long distance		(\$8.9)	(\$28.4)	(\$9.4)	(\$5.8)	(\$6.5)	(\$6.7)
		(8.4%)	(6.3%)	(8.6%)	(5.0%)	(5.8%)	(5.9%)
Data:	Internet	\$8.4	\$38.4	\$7.3	\$11.1	\$10.0	\$10.0
		8.2%	9.9%	7.2%	11.3%	10.4%	10.8%
	Other	(\$4.5)	(\$9.1)	(\$3.2)	(\$2.2)	(\$0.1)	(\$3.6)
		(4.6%)	(2.2%)	(3.0%)	(2.2%)	(0.1%)	(3.6%)
	Total data	\$3.9	\$29.3	\$4.1	\$8.9	\$9.9	\$6.4
		1.9%	3.7%	2.0%	4.5%	5.0%	3.3%
Information technology:	IT services	(\$1.2)	(\$17.7)	(\$3.2)	\$0.6	(\$1.5)	(\$13.6)
		(5.1%)	(16.7%)	(13.8%)	2.8%	(6.2%)	(36.5%)
	Fulfillment	(\$15.6)	\$19.1	\$11.5	(\$2.1)	(\$11.3)	\$21.0
		(17.6%)	9.7%	32.7%	(5.1%)	(21.3%)	31.1%
	Total IT	(\$16.8)	\$1.4	\$8.3	(\$1.5)	(\$12.8)	\$7.4
		(15.0%)	0.5%	14.2%	(2.4%)	(16.6%)	7.1%
Wireless		\$1.2	\$8.0	\$2.0	\$2.4	\$1.7	\$1.9
		6.1%	9.9%	9.3%	11.0%	8.7%	10.6%
Other revenues:	Product sales	(\$0.6)	(\$8.7)	(\$3.3)	(\$4.8)	\$0.1	(\$0.7)
		(4.2%)	(12.3%)	(14.4%)	(28.4%)	0.6%	(4.6%)
	Rentals	(\$1.2)	(\$4.5)	(\$1.2)	(\$1.2)	(\$1.0)	(\$1.1)
		(18.2%)	(15.2%)	(17.1%)	(16.2%)	(13.3%)	(14.3%)
	Other	(\$2.0)	(\$19.8)	(\$3.6)	(\$3.8)	(\$2.4)	(\$10.0)
		(9.6%)	(18.9%)	(14.8%)	(15.3%)	(9.7%)	(32.5%)
	Total other revenues	(\$3.8)	(\$33.0)	(\$8.1)	(\$9.8)	(\$3.3)	(\$11.8)
		(9.1%)	(16.1%)	(14.9%)	(19.9%)	(6.9%)	(22.0%)

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Supplementary Information (unaudited)

BELL ALIANT HOLDINGS LP
Operating revenues statistics

	2010	2009				
	Q1	Total	Q4	Q3	Q2	Q1
Network access service (NAS)						
Residential	1,891,004		1,921,571	1,958,210	1,991,360	2,011,925
Business	996,637		1,004,650	1,011,712	1,020,753	1,031,868
Total	2,887,641		2,926,221	2,969,922	3,012,113	3,043,793
NAS net declines						
Residential	(30,567)	(119,041)	(36,639)	(33,150)	(20,565)	(28,687)
Business	(8,013)	(36,478)	(7,062)	(9,041)	(11,115)	(9,260)
Total	(38,580)	(155,519)	(43,701)	(42,191)	(31,680)	(37,947)
Long distance minutes (thousands)	1,056,216	4,361,051	1,079,950	1,062,830	1,087,420	1,130,851
Revenue per long distance minute	\$0.088	\$0.093	\$0.089	\$0.099	\$0.094	\$0.090
Wireless customers	121,390		121,019	119,654	116,948	113,990
Wireless net additions	371	7,072	1,365	2,706	2,958	43
Wireless - average revenue per customer (ARPC)	\$56.71	\$62.07	\$64.04	\$66.96	\$60.09	\$56.90
High-speed Internet (HSI) customers	822,113		809,866	797,682	782,719	771,675
HSI customer net additions	12,247	52,713	12,184	14,963	11,044	14,522
HSI customer net additions, normalized for one-time adjustment ⁽⁷⁾		50,683	10,154			
Residential HSI ARPC	\$38.99	\$37.63	\$37.58	\$38.20	\$37.90	\$36.94
Current year Q over same Q last year growth						
Long distance minutes	(74,635) (6.6%)	(187,425) (4.1%)	(52,224) (4.6%)	(40,947) (3.7%)	(53,904) (4.7%)	(40,350) (3.4%)
Wireless ARPC	(\$0.19) (0.3%)	\$1.71 2.8%	\$2.36 3.8%	\$3.13 4.9%	\$1.56 2.7%	(\$0.10) (0.2%)
Residential HSI ARPC	\$2.05 5.5%	\$1.62 4.5%	\$0.62 1.7%	\$2.04 5.6%	\$2.14 6.0%	\$1.85 5.3%
Current year-to-date over same year-to-date last year growth						
Residential NAS	(120,921) (6.0%)		(119,041) (5.8%)	(113,054) (5.5%)	(103,411) (4.9%)	(101,262) (4.8%)
Business NAS	(35,231) (3.4%)		(36,478) (3.5%)	(40,739) (3.9%)	(32,876) (3.1%)	(24,950) (2.4%)
Total NAS	(156,152) (5.1%)		(155,519) (5.0%)	(153,793) (4.9%)	(136,287) (4.3%)	(126,212) (4.0%)
Wireless customers	7,400 6.5%		7,072 6.2%	5,974 5.3%	6,996 6.4%	8,002 7.5%
HSI customers ⁽⁷⁾	50,438 6.5%		52,713 7.0%	52,735 7.1%	57,477 7.9%	60,872 8.6%

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

Supplementary Information (unaudited)

BELL ALIANT HOLDINGS LP

Capital structure

	2010 Q1	Total	Q4	2009 Q3	Q2	Q1
Capital structure						
Partners' equity	51.5%		52.3%	52.1%	52.0%	52.0%
Non-controlling interest	17.0%		17.3%	17.4%	17.5%	17.6%
Net debt ⁽⁸⁾	31.5%		30.4%	30.5%	30.5%	30.4%
	100.0%		100.0%	100.0%	100.0%	100.0%
Return Statistics						
Return on partners' equity ⁽⁹⁾	6.5%	7.4%	7.7%	7.6%	7.4%	6.8%
Return on invested capital ⁽¹⁰⁾	6.0%	6.4%	6.6%	6.6%	6.4%	6.2%
Net debt to EBITDA ^{(21) (11)}	2.0		1.9	1.9	1.9	1.9
Interest coverage ⁽¹²⁾	3.8		3.9	3.7	3.8	3.9
Cash flow to interest ⁽¹³⁾	6.9		7.0	7.0	7.2	7.1

Ratings	Standard & Poor's	DBRS
Bell Aliant LP senior unsecured debt	BBB, negative outlook	BBB (high), stable trend
Bell Aliant LP commercial paper	Not rated	R-1 (low), stable trend
Télébec, LP and NorthernTel, LP debentures	BBB, negative outlook	BBB (high), stable trend
Bell Aliant Income Fund units	SR-2, stable (moderate)	STA-2 (high)
<i>There have been no changes to our ratings during 2010.</i>		

⁽⁸⁾ Net debt - long-term debt, long-term debt due within one year, short-term debt, and notes payable to related party, less cash and cash equivalents and notes receivable from related parties that are readily convertible to cash.

⁽⁹⁾ Return on partners' equity - net earnings, divided by average book value of partners' equity for the period. This calculation is annualized.

⁽¹⁰⁾ Return on invested capital - net earnings plus non-controlling interest and interest charges net of taxes for the period, divided by average book value of total capital (partners' equity, non-controlling interest and net debt) for the period. This calculation is annualized.

⁽¹¹⁾ Net debt to EBITDA ⁽²¹⁾ - Net debt at the end of the period divided by EBITDA ⁽²¹⁾ (current quarter plus three (3) previous quarters).

⁽¹²⁾ Interest coverage - Operating income plus other income (expense) divided by interest charges (current quarter plus three (3) previous quarters).

⁽¹³⁾ Cash flow to interest - Cash from operating activities (before change in operating assets and liabilities) divided by interest charges (current quarter plus three (3) previous quarters).

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

NON-GAAP FINANCIAL MEASURES

Supplementary Information (unaudited)

Distributable cash

(millions of dollars, except as otherwise indicated)

	2010	2009				
	Q1	Total	Q4	Q3	Q2	Q1
Distributable cash ⁽¹⁴⁾ reconciled to EBITDA ⁽²¹⁾						
EBITDA ⁽²¹⁾	\$353.7	\$1,466.4	\$365.6	\$374.9	\$367.2	\$358.7
Cash funding of current service cost for net benefit plans ⁽¹⁵⁾	(16.7)	(69.4)	(16.8)	(16.4)	(18.7)	(17.5)
Cash capital taxes included in EBITDA ⁽²¹⁾ ⁽¹⁶⁾	1.0	6.3	0.6	1.4	2.2	2.1
Fund expenses ⁽¹⁷⁾	(0.7)	(4.2)	(0.8)	(0.9)	(1.5)	(1.0)
	337.3	\$1,399.1	348.6	359.0	349.2	342.3
Other income (expenditures) ⁽¹⁸⁾	(4.6)	(5.2)	(5.1)	1.7	(2.3)	0.5
Interest expense ⁽¹⁹⁾	(37.7)	(151.7)	(40.0)	(38.3)	(37.4)	(36.0)
Capital expenditures	(94.7)	(464.8)	(121.1)	(114.7)	(121.7)	(107.3)
Distributable cash of discontinued operations ⁽²⁰⁾	-	(4.0)	0.1	0.1	(1.2)	(3.0)
Distributable cash ⁽¹⁴⁾	\$200.3	\$773.4	\$182.5	\$207.8	\$186.6	\$196.5
Distributable cash ⁽¹⁴⁾ reconciled to cash from operating activities						
Cash from operating activities	\$145.6	\$1,135.6	\$332.1	\$298.1	\$294.9	\$210.5
Add (deduct):						
Standardized distributable cash of discontinued operations ⁽²⁰⁾	-	(13.9)	(2.3)	(1.9)	(4.8)	(4.9)
Cash from operating activities of the Fund	-	(15.8)	(0.8)	(2.7)	(0.3)	(12.0)
Capital expenditures	(94.7)	(464.8)	(121.1)	(114.7)	(121.7)	(107.3)
<i>Standardized distributable cash ⁽¹⁴⁾</i>	<i>50.9</i>	<i>641.1</i>	<i>207.9</i>	<i>178.8</i>	<i>168.1</i>	<i>86.3</i>
Add (deduct):						
Operating items funded through cash reserves or borrowing:						
Change in operating assets and liabilities (working capital)	120.6	(22.9)	(73.1)	(16.6)	(2.6)	69.4
Change in operating assets and liabilities (working capital) of the Fund	(0.6)	11.8	-	2.0	(1.2)	11.0
Change in operating assets and liabilities (working capital) and other non-cash items of the discontinued operations ⁽²⁰⁾	-	9.9	2.4	2.0	3.6	1.9
Pension deficit funding ⁽¹⁵⁾	18.7	73.8	25.3	21.9	12.9	13.7
Restructuring charges	11.1	40.9	16.0	13.0	2.6	9.3
Capital taxes in excess of normalized levels ⁽¹⁶⁾	1.0	6.3	0.6	1.4	2.2	2.1
Other adjustments ⁽¹⁴⁾ :						
Current income tax recovery	-	(2.0)	-	-	(2.0)	-
Other non-cash items provided for in working capital changes	(1.4)	14.5	3.4	5.3	3.0	2.8
Distributable cash ⁽¹⁴⁾	\$200.3	\$773.4	\$182.5	\$207.8	\$186.6	\$196.5

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

NON-GAAP FINANCIAL MEASURES

Supplementary Information (unaudited)

Free cash flow

(millions of dollars, except as otherwise indicated)

	2010	2009				
	Q1	Total	Q4	Q3	Q2	Q1
Free cash flow ⁽²²⁾ reconciled to cash flow from operating activities						
Cash from operating activities	\$145.6	\$1,135.6	\$332.1	\$298.1	\$294.9	\$210.5
Cash from operating activities of the Fund	-	(15.8)	(0.8)	(2.7)	(0.3)	(12.0)
Total cash from operating activities	145.6	1,119.8	331.3	295.4	294.6	198.5
Capital expenditures	(94.7)	(464.8)	(121.1)	(114.7)	(121.7)	(107.3)
Free cash flow ⁽²²⁾	50.9	655.0	210.2	180.7	172.9	91.2
Add (deduct):						
Change in operating assets and liabilities (working capital)	120.6	(22.9)	(73.1)	(16.6)	(2.6)	69.4
Change in operating assets and liabilities (working capital) of the Fund	(0.6)	11.8	-	2.0	(1.2)	11.0
Free cash flow before changes in working capital ⁽²²⁾	170.9	643.9	137.1	166.1	169.1	171.6
Distributions declared ⁽⁵⁾	165.1	660.2	165.1	165.1	165.1	164.9
Payout ratio ⁽²³⁾	324.4%	100.8%	78.5%	91.4%	95.5%	180.8%
Payout ratio before changes in working capital ⁽²⁴⁾	96.6%	102.5%	120.4%	99.4%	97.6%	96.1%

⁽¹⁴⁾ The terms Standardized distributable cash and Distributable cash do not have any standardized meanings prescribed by Canadian GAAP. They are therefore unlikely to be comparable to similar measures presented by other issuers. Standardized distributable cash and Distributable cash are presented on a consistent basis from period to period.

We define Standardized distributable cash from a cash flow perspective following CICA guidance which uses cash from operating activities of Bell Aliant Holdings LP and adds or deducts the following items that affect cash flow: (i) cash from operating activities of discontinued operations and the Fund, as this represents operating cash from activities other than the continuing operations of Bell Aliant Holdings LP which is available for distribution; and (ii) capital expenditures. CICA guidance on the calculation of this Standardized distributable cash measure would also include deductions related to any restrictions imposed on the amount of cash distributions as a result of compliance with financial covenants restrictive at the date of calculation. Our credit agreements only impose a restriction that distributions cannot exceed Distributable cash over the last year if our credit ratings fall below investment grade. Since our ratings are within the investment grade categories, we are under no such restrictions.

We further adjust Standardized distributable cash by the following operating items funded through cash reserves or borrowings and other adjustments to define our Distributable cash: (iii) operating items funded through cash reserves or borrowings, such as changes in operating assets and liabilities (working capital), pension deficit funding, restructuring charges, and capital taxes in excess of normalized levels. We then adjust working capital changes by the following items: (iv) current income tax provisions (recoveries) are added back (deducted) as we have tax strategies in place to ensure that they are not payable in cash; and (v) other elements of working capital changes that should not result in actual current or future cash flows.

We also define and calculate Distributable cash as EBITDA less (i) cash funding requirement for current service pension costs for defined benefit pension plans and other employee benefit plans to the extent not already deducted in determining EBITDA; (ii) an adjustment to cash capital taxes to reflect a normalized level that will be achieved once announced provincial tax rate reductions come into effect in future years; (iii) expenses incurred by the Fund as these are not included in the EBITDA of Bell Aliant Holdings LP; (iv) cash interest expense; (v) other cash income or expenses that may be incurred to the extent not included in EBITDA; (vi) capital expenditures; and (vii) the portion of Distributable cash generated by discontinued operations.

Distributable cash is presented on a fully diluted basis (i.e. without deduction for a minority interest that Bell Canada holds in the subsidiaries of Bell Aliant Holdings LP).

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

We use Distributable cash, among other measures, to assess the financial performance of our ongoing business. We report Standardized distributable cash to meet compliance with the new CICA guidance for income trusts and other flow-through entities. These non-GAAP financial measures should not be seen as a measure of liquidity or as a substitute for comparable metrics prepared in accordance with GAAP. We believe that certain investors and analysts use Distributable cash to measure Bell Aliant Holdings LP's and the Fund's, as well as other open-ended trusts', ability to generate a sustainable return for unitholders.

⁽¹⁵⁾ Represents the cash funding requirement related to current service cost in our pension plans and other post employment benefit plans for the period that is not included in EBITDA. The portion of cash funding required for our pension plans that exceeds current service cost (i.e. Pension deficit funding) will be funded through cash reserves or borrowing.

⁽¹⁶⁾ EBITDA is net of expenses for certain capital taxes. These are added back in the Distributable cash reconciliation because only a normalized level of these cash taxes (to reflect announced future rate reductions) is deducted in determining our Distributable cash. As the provinces in which we operate have announced the elimination of capital taxes, the entire amount of cash capital taxes is considered to be in excess of normalized levels, and will be funded through cash reserves or borrowing.

⁽¹⁷⁾ Represents cash expenses of Bell Aliant Income Fund other than interest expense. See note 19 below.

⁽¹⁸⁾ Represents the cash portion of other income (expenditures). Losses and fees associated with our accounts receivable securitization program are included as other expenditures. Also, to the extent that other elements of net earnings include non-cash amounts (such as amortization charges or deferred unit plan costs) they are excluded from Distributable cash.

⁽¹⁹⁾ Represents interest expense incurred by Bell Aliant Holdings LP or Bell Aliant Income Fund, excluding non-cash amortization charges.

⁽²⁰⁾ Represents the contribution to Standardized distributable cash / Distributable cash of the discontinued operations of our Defence, Security and Aerospace business, xwave New England Corp., and Innovatia Inc.

⁽²¹⁾ The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning prescribed by Canadian GAAP. It is therefore unlikely to be comparable to similar measures presented by other companies. EBITDA is presented on a consistent basis from period to period. We define EBITDA as operating revenues less expenses, which means it represents operating income before depreciation and amortization expense, net cost of benefit plans, and restructuring and other charges. Operating income is calculated before interest and income taxes are deducted. We use EBITDA, among other measures, to assess the operating performance of our ongoing businesses without the effects of depreciation and amortization expense, net cost of benefit plans, and restructuring and other charges. We exclude depreciation and amortization expense and net cost of benefit plans because they largely depend on the accounting methods and assumptions a company uses, as well as non-operating factors, such as the historical cost of capital investments and the fund performance of a company's pension plans. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis trends in business performance. Excluding restructuring and other charges does not imply they are non-recurring. EBITDA allows us to compare our operating performance on a consistent basis. We believe that certain investors and analysts use this measure to assess Bell Aliant Holdings LP's and other companies' ability to service debt, make capital distributions to unitholders and to meet other payment obligations, or as a common valuation measurement in the telecommunications industry. EBITDA should not be confused with net earnings or operating income which are the most comparable Canadian GAAP financial measures. Refer to page 5 for a reconciliation of net earnings and operating income to EBITDA.

⁽²²⁾ The term Free cash flow does not have any standardized meaning prescribed by Canadian GAAP. It is therefore unlikely to be comparable to similar measures presented by other companies. We define Free cash flow as cash from operating activities less capital expenditures. Since Bell Aliant Holdings LP's operations ultimately support distributions to Fund unitholders, Free cash flow combines Bell Aliant Holdings LP's cash performance with that of the Fund. We present Free cash flow both including and excluding changes in operating assets and liabilities (working capital) in a period as these changes can be significant given the timing of these cash flows through the year or from one year to the next. Free cash flow is presented on a consistent basis from period to period. We believe that certain investors and analysts use Free cash flow to assess our ability to make distributions to unitholders, to service debt, and to meet other payment obligations, and as a common valuation measurement in our industry. Free cash flow should not be confused with cash from operating activities, which is the most comparable Canadian GAAP financial measure.

⁽²³⁾ Payout ratio - distributions declared divided by Free cash flow. ⁽²²⁾

⁽²⁴⁾ Payout ratio before changes in working capital - distributions declared divided by Free cash flow before changes in working capital. ⁽²²⁾

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