Bell Aliant Regional
Communications Income Fund

Management's discussion and analysis

For the year ended December 31, 2010

March 9, 2011

MD&A

This document provides management's discussion and analysis (MD&A) of our financial condition as at, and results of operations for, the year ended December 31, 2010, compared to 2009. This MD&A should be read together with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2010, and the audited consolidated financial statements and accompanying notes, and MD&A of Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP) for the year ended December 31, 2010. Our consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). All amounts in this document are in millions of Canadian dollars, except where otherwise stated.

Throughout this document, unless otherwise specified or the context otherwise indicates, "we", "us", "our" and the "Fund" refer to Bell Aliant Regional Communications Income Fund. References to Bell Aliant Holdings LP, our significant investee, include that entity and its subsidiaries.

On January 1, 2011, we completed our conversion 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. Therefore, when the context indicates present or future tense, or events that occurred after completion of the conversion, "we", "us", and "our" refers to Bell Aliant Inc. As part of the conversion, Bell Aliant Holdings LP was also dissolved and certain of its subsidiaries and affiliates amalgamated. Bell Aliant Holdings LP has been succeeded by Bell Aliant Regional Communications Inc. (Bell Aliant GP).

Additional information about us, Bell Aliant Holdings LP and its successor, Bell Aliant GP, including quarterly and annual reports, supplementary financial information, as well as annual information forms and information circulars, can be found under "financial reports" on the Bell Aliant Inc. website at www.bellaliant.ca. These and other continuous disclosure documents are also available at www.sedar.com.

Forward-looking information

This MD&A is dated March 9, 2011, and is current to that date unless otherwise stated. It 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 "Conversion transaction" and "Future changes in accounting policies". 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 MD&A describes our expectations at March 9, 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; 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 "Risk management" section of this MD&A for further discussion of these and other 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 financial results for the Fund and Bell Aliant Holdings LP and 2011 financial guidance for their successors, Bell Aliant Inc. and Bell Aliant GP, which is available at www.bellaliant.ca as well as www.sedar.com.

OUR BUSINESS

The Fund was an unincorporated, open-ended, limited purpose trust governed by the laws of the Province of Ontario. We held investments in subsidiaries that operate one of the largest regional communications service providers in North America.

At December 31, 2010, we indirectly owned an 82.5 per cent equity interest in Bell Aliant Holdings LP, which in turn consolidated the financial results of Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP), Télébec, Limited Partnership (Télébec) and NorthernTel, Limited Partnership (NorthernTel). We accounted for this investment on an equity basis as we exercised significant influence over the operating, investing and financial policies of this entity, but we did not control it. BCE Inc. (BCE) and Bell Canada owned the remaining 17.5 per cent equity interest in Bell Aliant Holdings LP. Bell Canada also owned a 37.9 per cent equity interest in Bell Aliant LP (36.35 per cent on a proportionate cash distribution basis). BCE's and Bell Canada's interests were exchangeable into Fund units, which gave BCE an effective 44.07 per cent combined voting interest in us (43.88 per cent on a fully diluted basis) as at December 31, 2010. On January 1, 2011, as part of our conversion to a corporate structure, BCE and Bell Canada indirectly exchanged these interests for common shares in Bell Aliant Inc. and retained one voting common share of Bell Aliant GP. See the "Conversion transaction" section for further information. Under a securityholders' agreement, BCE has certain governance rights that gave it control over Bell Aliant Holdings LP, so long as its fully diluted Fund ownership interest was 30.0 per cent or greater and certain commercial agreements are in place with Bell Aliant LP. Upon completion of the conversion to a corporate structure, the securityholders' agreement was amended to reflect the conversion and the continuation of BCE's and Bell Canada's rights in the new corporate structure.

We are economically dependent on our significant equity investee, Bell Aliant GP. As we are affected by the events and transactions, financial and capital management, and risks and uncertainties of Bell Aliant GP, these factors could materially influence the dividends we receive from it, and in turn, our ability to pay dividends.

Changes to the board of directors

On June 16, 2010, Victor Young retired as a trustee of the Fund and from the boards of directors of our operating subsidiaries and Andrew Smith was appointed to these boards.

On February 8, 2011, Catherine Bennett was appointed to the boards of directors of Bell Aliant Inc. and Bell Aliant GP.

CONVERSION TRANSACTION

On January 1, 2011, we completed our conversion from an income trust structure to a corporate structure.

As part of the conversion, the Fund's unitholders received one common share of Bell Aliant Inc. for each Fund unit held and BCE and Bell Canada exchanged 100 per cent of their respective class B exchangeable limited partnership units issued by Bell Aliant LP, 100 per cent of their class 1 exchangeable limited partnership units issued by Bell Aliant Holdings LP, 100 per cent of their special voting units issued by us and all but one voting common share of Bell Aliant GP for common shares in Bell Aliant Inc. Through a series of steps, the Fund's assets and liabilities were transferred to Bell Aliant Inc. and the Fund was dissolved and terminated. As well, Bell Aliant Holdings LP's assets and liabilities were ultimately transferred to Bell Aliant GP and Bell Aliant Holdings LP was then dissolved and its units cancelled. Bell Aliant Regional Communications Holdings Inc. and another related company were amalgamated with Bell Aliant GP, which is the general partner of Bell Aliant LP, Télébec and NorthernTel, our operating subsidiaries.

These transactions were accounted for at carrying values since there was no substantial change in control. For unitholders resident in Canada and the United States, the exchange was completed on a tax deferred basis. Unitholders' proportionate interests in Bell Aliant Inc. are effectively unchanged by the conversion. BCE and Bell Canada continue to have the same governance rights under the amended securityholders' agreement and percentage ownership in Bell Aliant Inc. as they had in the Fund (on an as-exchanged basis) before the conversion.

The conversion does not impact Bell Aliant GP's underlying business model or operating plans, but is expected to reduce administrative costs previously associated with our more complex trust structure, improve comparability of our financial condition and results of operations to our peers, and broaden our potential investor base.

Bell Aliant Inc.'s common shares began trading on the Toronto Stock Exchange at the commencement of trading on January 4, 2011, with the trading symbol "BA."

We anticipate that Bell Aliant Inc. and Bell Aliant GP will be taxed at a blended federal and provincial rate of 29 per cent of taxable income in 2011, dropping to 27 per cent of taxable income by 2013.

SUMMARY OF RESULTS

The following table shows selected consolidated financial results for the most recent eight quarters as well as on an annual basis for 2010, 2009 and 2008. The quarterly information is unaudited, but has been prepared on the same basis as our annual consolidated financial statements.

For the year ended December 31					2010
(millions of dollars, except per unit amounts)	Total	Q4	Q3	Q2	Q1
Equity income (loss) from investments and other revenues	(397.6)	(596.1)	61.4	73.3	63.8
Net earnings (loss) from continuing operations	(401.0)	(597.0)	60.9	71.9	63.2
Net earnings (loss) from discontinued operations	(3.5)	(4.0)	0.5	—	—
Net earnings (loss)	(404.5)	(601.0)	61.4	71.9	63.2
Basic earnings (loss) per unit from continuing operations	(3.15)	(4.69)	0.48	0.56	0.50
Basic earnings (loss) per unit from discontinued operations	(0.03)	(0.03)	—	—	–
Basic earnings (loss) per unit	(3.18)	(4.72)	0.48	0.56	0.50
Diluted earnings (loss) per unit from continuing operations	(3.90)	(5.38)	0.47	0.53	0.48
Diluted earnings (loss) per unit from discontinued operations	(0.03)	(0.03)	—	—	—
Diluted earnings (loss) per unit	(3.93)	(5.41)	0.47	0.53	0.48
Distributions declared	369.4	92.4	92.4	92.3	92.3

For the years ended December 31					2009	2008
(millions of dollars, except per unit amounts)	Total	Q4	Q3	Q2	Q1	Total
Equity income from investments and other revenues	303.6	80.2	80.7	76.3	66.4	255.7
Net earnings from continuing operations	299.6	79.4	80.0	74.8	65.4	251.7
Net earnings (loss) from discontinued operations	(10.6)	(2.1)	(5.7)	(3.4)	0.6	(0.3)
Net earnings	289.0	77.3	74.3	71.4	66.0	251.4
Basic earnings per unit from continuing operations	2.36	0.63	0.63	0.59	0.51	1.98
Basic earnings (loss) per unit from discontinued operations	(0.09)	(0.02)	(0.05)	(0.03)	0.01	—
Basic earnings per unit	2.27	0.61	0.58	0.56	0.52	1.98
Diluted earnings per unit from continuing operations	2.19	0.55	0.58	0.55	0.51	1.87
Diluted earnings (loss) per unit from discontinued operations	(0.09)	(0.01)	(0.05)	(0.03)	—	—
Diluted earnings per unit	2.10	0.54	0.53	0.52	0.51	1.87
Distributions declared	369.0	92.3	92.3	92.3	92.1	367.5

Net earnings

Net earnings represent equity income from our indirect ownership in the earnings of our investments. This includes future tax recovery (expense) related to our proportionate share of temporary differences between the carrying amounts of assets and liabilities reported on the balance sheets of our subsidiaries and their corresponding tax values. Our net earnings also include an immaterial amount of interest income earned on cash and cash equivalents and operating expenses. Our net earnings are substantially dependent upon the results of operations of our subsidiary investments. The financial performance of Bell Aliant Holdings LP for the year ended December 31, 2010, compared to 2009, is discussed in its annual 2010 MD&A.

2010 compared to 2009

Net earnings from continuing operations decreased $676.4 million in the fourth quarter of 2010, compared to the fourth quarter of 2009. On an annual basis, net earnings from continuing operations decreased $700.6 million in 2010, compared to 2009. This is primarily due to a decrease in equity income from our investment in Bell Aliant Holdings LP as a result of a $1,540.7 million write-down of finite-life intangible assets by Bell Aliant Holdings LP in the fourth quarter of 2010.

Net loss from discontinued operations increased $1.9 million in the fourth quarter of 2010 and decreased $7.1 million in 2010, compared to the same periods in 2009. Discontinued operations in 2010 and 2009 reflected our proportionate share of the operating results of Bell Aliant Holdings LP's xwave business, while 2009 also included our proportionate share of the operating results of Innovatia Inc. (Innovatia), xwave New England Corp and the Defence, Security and Aerospace (DSA) business of Bell Aliant Holdings LP. The increase in the loss from discontinued operations in the fourth quarter of 2010 reflects an adjustment to the loss on sale of DSA made in that quarter. The improvement in the loss from discontinued operations in 2010 over the prior year is primarily due to the write-down of Innovatia's net assets which occurred in 2009.

2009 compared to 2008

Net earnings (loss) from continuing operations increased $47.9 million in 2009, compared to 2008. This was mainly due to an increase in equity income as a result of an improvement in Bell Aliant Holdings LP's net earnings from continuing operations and a $14.0 million reduction in equity income in the first quarter of 2008 related to a notional depreciation and amortization adjustment. This adjustment related to the finalization of the notional purchase price allocation related to our acquisition of the remaining 36.7 per cent interest in Télébec and NorthernTel that was not repeated in 2009. This was partially offset by an $8.0 million decrease in future tax recovery in 2009, compared to 2008.

Net loss from discontinued operations increased $10.3 million in 2009, compared to 2008. In 2008, net earnings from discontinued operations included our proportionate share of the results of operations of DSA and Atlantic Mobility Products Limited Partnership. The increase in net loss from discontinued operations is due to losses on disposal of discontinued operations in 2009 and greater operating losses from these operations compared to 2008.

Distributions

During the fourth quarter of 2010, we declared distributions of $92.4 million, or $0.725 per unit, compared to $92.3 million, or $0.725 per unit in 2009. On an annual basis, during 2010, 2009 and 2008, we declared distributions totalling $369.4 million, $369.0 million and $367.5 million, respectively or $2.90, $2.90 and $2.89 per unit, respectively.

While operating as an income trust, our objective was to target a distribution payout ratio of approximately 90 per cent of the combined distributable cash of the Fund and Bell Aliant Holdings LP, although the payout ratio may differ from this range in any given year. The remaining 10 per cent of distributable cash was intended to fund such obligations of Bell Aliant Holdings LP as working capital, pension plan deficits, restructuring charges, cash capital taxes, and repaying long-term debt.

The combined cash distributions declared in 2010 were 93.0 per cent of the combined distributable cash, compared to 85.4 per cent in 2009.

The distributions we made are generally taxable to the recipient unitholder. The tax attributes of our distributions changed from year to year depending on the taxable income mix of our subsidiary investments. The following table reflects the taxable and non-taxable breakdown of distributions for 2010 and 2009:

For the years ended December 31	2010	2009
Taxable portion		
Other investment income	95.74%	95.12%
Dividend income	3.68%	3.93%
Capital gains	—	0.25%
Non-taxable portion		
Return of capital	0.58%	0.45%
Capital gains	—	0.25%
	100.00%	100.00%

We were entirely dependent on distributions from Bell Aliant Holdings LP to make our distributions. A complete discussion of distributions made by Bell Aliant Holdings LP during 2010 can be found in its MD&A for the year ended December 31, 2010.

Dividend policy

Upon conversion to a corporate structure, the objectives of Bell Aliant Inc. in establishing its dividend policy going forward are to seek to ensure dividend sustainability while maintaining a high dividend payout to shareholders. We will continue to be dependent upon dividends received from Bell Aliant GP to make our dividends. We expect that Bell Aliant GP's ongoing operations, net of normal capital expenditures, will generate sufficient free cash flow to provide stable cash dividends to our shareholders.

For 2011, we will target a payout ratio of 75 to 85 per cent of free cash flow, which is expected to result in an initial annual dividend rate of $1.90 per share. The first quarterly dividend of $0.475 per share was declared by the board on February 8, 2011, and will be paid in March 2011. Although the annual dividend is lower than the annual distribution paid by the Fund under the income trust structure, for taxable retail investors resident in Canada, dividends paid by a Canadian corporation are taxed at lower rates than the distributions of pre-2011 income paid by the Fund. As such, under a corporate structure, the dividend tax credit mechanism can be expected to mitigate, in large part, the after-tax effect of a lower dividend for those investors.

Our dividend policy and our financing plans are consistent with our objective of maintaining our debt levels in a range required to maintain investment grade credit ratings on our debt.

FINANCIAL AND CAPITAL MANAGEMENT

The following table summarizes our financial position as at the end of the three most recently completed financial years.

As at December 31 *(millions of dollars)*	**2010**	2009	2008
Total assets	**3,386.7**	4,151.6	4,211.6
Total liabilities	**30.9**	30.8	30.9
Unitholders' equity	**3,355.8**	4,120.8	4,180.7

Assets and liabilities

At December 31, 2010, our assets mainly consisted of our indirect investment in, and distributions and other amounts receivable from, Bell Aliant Holdings LP. In 2010, distributions declared by our equity investee of $369.4 million, combined with an equity loss from continuing and discontinued operations in our investments of $401.1 million, caused the carrying value of our investment to decrease compared to 2009. The carrying value of our investments also decreased in 2009 as compared to 2008, as distributions declared by our equity investee of $369.0 million were greater than equity income from continuing and discontinued operations in our investments of $293.0 million. As well, we generally consolidate our excess cash with that of Bell Aliant LP and invest it together in marketable, short-term money market instruments. As such, the balance due from (to) related parties and our cash and cash equivalent balance will fluctuate over time depending on our cash requirements. At December 31, 2010, these assets increased $4.9 million from the balances at December 31, 2009.

Our liabilities, consisting mainly of distributions payable to our unitholders, were virtually unchanged as at December 31, 2010, compared to December 31, 2009.

Fund units

At December 31, 2010, there were 127,394,907 Fund units outstanding, 100,373,827 exchangeable limited partnership units (each exchangeable for one Fund unit, and each accompanied by one special voting unit of the Fund) and 1,380,568 Fund units notionally issued under our deferred unit plan. Only 968,600 of the units notionally issued under our deferred unit plan are considered dilutive, as the vesting of the remainder is subject to prescribed performance targets being met. Accordingly, there were 228,737,334 Fund units outstanding on a fully diluted basis as at December 31, 2010.

Bell Aliant Inc. common shares

On January 1, 2011, we completed our conversion from an income trust structure to a corporate structure and all of our outstanding units were exchanged for common shares of Bell Aliant Inc., as described earlier under the "Conversion transaction" section.

Our authorized capital now consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series.

Holders of common shares are entitled to one vote per share at meetings of our shareholders, and to receive dividends as and when declared by the board (subject to the rights of shares, if any, having priority to dividends over the common shares). They are also entitled to receive pro rata the remaining property upon our liquidation, dissolution or winding up, whether voluntary or involuntary, subject to the rights of any shares having priority over the common shares.

At March 2, 2011, there were 227,775,712 common shares outstanding of our successor corporation, Bell Aliant Inc.

STABILITY RATINGS

During 2010, Standard & Poor's and DBRS each announced that they had withdrawn their Canadian stability ratings due to the pending conversion of many income trusts to corporations by January 1, 2011.

Prior to being withdrawn, our stability ratings were SR-2/Stable outlook (Moderate distribution profile) from Standard & Poor's and STA-2 (high) from DBRS Limited, which were unchanged from 2009.

RELATED PARTY TRANSACTIONS

Bell Aliant Holdings LP

As previously discussed in the "Our business" section, at December 31, 2010, we owned an 82.5 per cent equity interest in Bell Aliant Holdings LP, which was unchanged from December 31, 2009.

In 2010, distributions declared by Bell Aliant Holdings LP to the Fund were $370.9 million, compared to $373.7 million in 2009. At December 31, 2010, $29.6 million was included in distributions receivable, compared to $31.1 million at December 31, 2009.

An administration agreement between us and certain subsidiaries of Bell Aliant Holdings LP provided for administrative and support services for the Fund, such as corporate reporting, governance, investor relations, communications, treasury and all other services as may be necessary or requested for our administration. The agreement, which was amended as part of the conversion transaction to provide for the continuation of services to Bell Aliant Inc., commenced in July 2006 with an initial term of 10 years and will be automatically extended for additional five year periods unless notice of termination is given.

These services are measured and recorded at their exchange amounts as follows:

For the years ended December 31 *(millions of dollars)*	2010	2009
Management salaries	0.9	0.8
General and administrative	2.5	3.2
Operating expenses	3.4	4.0

Management salaries are allocated based on estimated hours spent on our matters using actual salary rates. General and administrative expenses are based on actual expenses that are incurred on our behalf.

At December 31, 2010, $27.4 million was due from Bell Aliant Holding LP and its subsidiaries, compared to $25.2 million at December 31, 2009, which relates to the net of these operating expenses payable as well as amounts receivable relating to the deferred unit compensation plan.

Bell Aliant Holdings LP operated certain unit-based compensation plans that were based on Fund units. Generally, these plans were modified and continued for Bell Aliant Inc. and Bell Aliant GP. Prior to the conversion, Bell Aliant Holdings LP recorded all compensation expense related to these plans.

In 2010, in relation to the employee unit purchase plan, Bell Aliant Holdings LP bought 1,947,842 of our units on the open market (2009 – 2,024,152 units), at a total cost of $50.8 million (2009 – $52.2 million), for employees of its subsidiaries participating in employee unit purchase plans. Of these totals, $9.0 million (2009 – $9.4 million) was recorded as compensation expense in Bell Aliant Holdings LP, and the remainder was contributed by employees through payroll deduction, interest earned or distributions reinvested in employee plan accounts.

In addition, Bell Aliant Holdings LP had a deferred unit plan for certain executives and senior management, which again has been modified and continued for Bell Aliant GP. As the deferred units have been settled with our units when exercised, for the year ended December 31, 2010, we have recorded in contributed surplus the equivalent of the compensation expense that was recorded in Bell Aliant Holdings LP of $5.5 million (December 31, 2009 – $7.6 million less $0.2 million of other adjustments). We issued 132,528 units (December 31, 2009 – 283,130 units) out of treasury at an average market value of $26.10 per unit (December 31, 2009 – $26.15 per unit) related to the deferred units exercised in the year. When exercised, the corresponding value of $3.5 million (December 31, 2009 – $7.4 million) was reclassified from contributed surplus to stated capital.

Further details of the unit-based compensation plans are discussed in note 7 to our audited consolidated financial statements for the year ended December 31, 2010.

Throughout 2010, we continued to loan our excess cash to Bell Aliant LP through a series of promissory notes, resulting in an immaterial amount of interest revenue being earned during the years ended December 31, 2010, and 2009. Refer to note 9 to our audited consolidated financial statements for the year ended December 31, 2010, for further information.

BCE and Bell Canada

BCE and Bell Canada beneficially owned and controlled a 44.07 per cent voting interest (43.88 per cent on a fully diluted basis) in our outstanding units as at December 31, 2010 (2009 – 44.09 per cent voting interest, 43.95 per cent on a fully diluted basis). There were no transactions with BCE and Bell Canada during the year.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Our consolidated financial statements as at December 31, 2010, have been prepared in accordance with Canadian GAAP. Our accounting policies and methods and critical accounting estimates and assumptions are consistent with those described in note 1 to our audited consolidated financial statements for the year ended December 31, 2010.

Future changes in accounting policies

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) continually amends certain standards or guidelines contained in the CICA Handbook. We monitor these changes as they are proposed and make changes to our accounting policies and disclosures as necessary.

International financial reporting standards (IFRS)

The Accounting Standards Board issued a mandate to fully converge Canadian GAAP with IFRS effective January 1, 2011. The convergence will occur over a transitional period, with certain standards adopted prior to 2011 and other standards at the date of transition.

We will prepare our financial statements in accordance with IFRS commencing January 1, 2011.

IFRS changeover plan and progress towards completion

Our IFRS changeover plan consisted of a four-phase approach to transition to IFRS, which included:
Phase 1 – Raise awareness and initial assessment
Phase 2 – Detailed assessment
Phase 3 – Design
Phase 4 – Implementation

We have completed the first three phases and at December 31, 2010, have substantially completed implementation, the fourth phase. Refer to our MD&A for the year ended December 31, 2009, for a detailed description of our changeover plan phases and our progress to that date.

Phase 4 – Implementation

This phase involves finalizing preliminary accounting policy decisions, preparing our IFRS opening balance sheet as at January 1, 2010, preparing our comparative financial statements and notes under IFRS for 2010, implementing the system and process changes identified in the design phase throughout the organization, delivering the required training on new accounting standards, monitoring, refining and testing the effectiveness of the revised internal control over financial reporting processes and disclosure controls and procedures, preparing and delivering external communications plans, and providing quarterly communications to our audit committee.

We are required to establish our IFRS accounting policies in accordance with standards in effect on our first annual reporting date, December 31, 2011. We have finalized our preliminary accounting policy choices but we will continue to monitor changes to IFRS throughout 2011 and make any necessary changes to our accounting policy and transition choices up until December 31, 2011. We believe any significant changes to our preliminary accounting policies are unlikely, but we are unable to foresee all circumstances that might require a change.

We completed the design and testing for system modifications to support dual reporting, and produced both IFRS and Canadian GAAP accounting records on a recurring transactional level throughout 2010. For 2010, we reported our results under Canadian GAAP but also internally recorded preliminary results under IFRS. We also made changes to our internal processes to facilitate IFRS accounting and reporting and the related internal controls over financial reporting and disclosure controls and procedures were also re-designed and the majority have been tested.

We will continue to work with the users of our financial statements to explain the changes in our accounting policies and their effect on our financial statements.

Our analysis of IFRS and comparison to our accounting policies under Canadian GAAP has determined that we are generally aligned with IFRS in many areas. We have not identified any material reconciling items to disclose between Canadian GAAP and IFRS, however we have identified certain differences with respect to presentation. The key accounting policy differences are described below to provide a better understanding of the effects of our changeover to IFRS based on our preliminary accounting policy decisions and readers are cautioned that it may not be appropriate to use such information for any other purposes.

Accounting policies under IFRS

In certain cases, IFRS provides for a choice of accounting policies. Proposed changes in accounting policies under IFRS that we believe may materially affect our financial statements, based on Canadian GAAP and IFRS issued at December 31, 2010, are described below.

Impairment of long-lived assets

Under Canadian GAAP, we assess for impairment of long-lived assets, other than goodwill and indefinite-life intangible assets, when events or changes in circumstances indicate that we may not be able to recover their carrying value. We determine recoverability by comparing the carrying value of the asset with its recoverable value, calculated using undiscounted cash flows expected from its use and disposition. If the recoverable value is less than the carrying value, an impairment loss is recorded as the difference between the carrying value and the fair value of assets, calculated using discounted cash flows expected from its use and disposition. Impairment of assets recognized under Canadian GAAP cannot be reversed in a subsequent period if circumstances change.

Under IFRS, identification and measurement of impairment of assets is determined by comparing the carrying value of assets to the greater of their fair value less costs to sell and value-in-use (generally discounted future cash flows). Impairment of assets, other than goodwill, is reversed in a subsequent period if circumstances change such that the previously determined impairment is reduced or eliminated. There were no quantitative differences between Canadian GAAP and IFRS at December 31, 2010.

Provisions

Provisions are recorded under IFRS when an outflow of resources is more likely than not, instead of the higher "likely" threshold under Canadian GAAP. Other specific differences exist in relation to the methods used to estimate the amount of provisions. Asset retirement obligations are recorded when a legal, contractual or constructive obligation exists. There were no quantitative differences between Canadian GAAP and IFRS at December 31, 2010.

First time adoption of IFRSs

IFRS 1, *First-time adoption of international financial reporting standards* sets forth guidance for the initial adoption of IFRS. We are required to establish our IFRS accounting policies in accordance with standards in effect on our first annual reporting date, December 31, 2011. We are required to apply these policies retrospectively to determine the IFRS opening balance sheet at our date of transition, January 1, 2010. In addition, IFRS 1 provides both mandatory and optional exemptions to this general rule. We have chosen to apply certain exemptions to reduce the complexity involved in converting to IFRS, as the cost of not applying the exemptions would far outweigh the benefit to the users of our financial statements.

For a discussion of the effect of adopting IFRS by Bell Aliant Holdings LP, refer to the "International financial reporting standards" section of Bell Aliant Holdings LP's MD&A for the year ended December 31, 2010.

RISK MANAGEMENT

The following is a discussion of risks that are specific to us as a publicly traded corporation, following completion of our conversion from an income trust structure on January 1, 2011. For a discussion of risks related to the business of Bell Aliant GP, refer to the "Risks that could affect our business and results" section of Bell Aliant Holdings LP's MD&A for the year ended December 31, 2010.

Risks specific to us as a corporation following conversion

Economic dependence on Bell Aliant GP

We are entirely dependent on dividends we receive from our equity investment in Bell Aliant GP to pay dividends to our shareholders. There can be no assurance regarding the amounts of dividends paid to us by Bell Aliant GP and, thus, eventually available to us to declare and pay to our shareholders. Our dividends are declared at the discretion of our board of directors and therefore there can be no assurance that any dividends will be declared in the future. In determining an amount of dividends to declare, the board of directors of both Bell Aliant GP and us will consider numerous factors, all of which are susceptible to a number of risks and other factors beyond our control and that of Bell Aliant GP. Bell Aliant GP has the discretion to establish cash reserves (including regulatory capital reserves) for the proper conduct of its business. Adding to these reserves in any year would reduce the amount of cash available for dividends to us in that year. As well, the timing and amount of capital expenditures by Bell Aliant GP directly affects the amount of cash available for dividends, including, ultimately, the cash available for dividends to our shareholders. Such dividends may be reduced, or even eliminated, at times when Bell Aliant GP deems it necessary to make significant capital or other expenditures. Accordingly, there can be no assurance regarding the actual levels of our dividends.

In stating that the expected 2011 dividend rate of Bell Aliant Inc. will be $1.90 per share annually, we have made certain tax assumptions, and assumptions regarding the operational and financial performance of Bell Aliant Inc. and Bell Aliant GP. Refer to the "Assumptions made in the preparation of forward-looking information" and "Risks that could affect our business and results" sections of Bell Aliant Holdings LP's MD&A for the period ended December 31, 2010, for further information on these assumptions and risks.

Preferred shares issued by Bell Aliant Preferred Equity Inc. have a prior claim

On February 22, 2011, we announced that a wholly owned subsidiary of Bell Aliant GP, Bell Aliant Preferred Equity Inc. planned to issue 10 million preferred shares at $25.00 per share for gross proceeds of $250 million, with the underwriters having an option to purchase up to 1.5 million additional preferred shares at the same price. This offering is scheduled to close in early March 2011. Bell Aliant GP will unconditionally guarantee the payment of declared dividends and certain other amounts on these preferred shares. The payment of dividends on these preferred shares and other claims on assets of Bell Aliant GP ranks in priority to the payment of dividends and other amounts by Bell Aliant GP to us.

Unpredictability and volatility of share price

A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which our common shares will trade cannot be predicted. The market price of our common shares could be subject to significant fluctuations in response to variations in quarterly operating results, dividends and other factors. The annual yield on our common shares as compared to the annual yield on other financial instruments may also influence the price of the common shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of our common shares.

Structural subordination of our common shares

Any right of Bell Aliant Inc. to receive assets of its subsidiaries in which it has an interest upon their liquidation or reorganization will be structurally subordinated to the prior claims of creditors of such subsidiaries. Therefore, our claim to those assets would rank behind these prior claims.

None of the subsidiaries will be limited (other than pursuant to existing or future credit facilities and other debt instruments) in their respective ability to incur additional secured or unsecured indebtedness.

Limitation on non-resident ownership

Certain of our subsidiaries are Canadian carriers, holders of radio authorizations or licences or operators of exempt broadcasting undertakings, and holders of broadcasting licences. They are required by the Broadcasting Act, the Radiocommunication Act, and the Telecommunications Act to be Canadian-owned and controlled.

Accordingly, following completion of the conversion, non-resident holders of our shares are prohibited from beneficially owning more than 33 1/3 per cent of Bell Aliant Inc. shares on a non-diluted and fully diluted basis. In addition, we must not otherwise be controlled in fact by non-Canadians.

We have the ability to rectify ineligibility resulting from insufficient Canadian ownership of voting shares through such measures as restricting the issue, transfer, ownership and voting of shares, if necessary, to ensure that we and our subsidiaries remain qualified under such legislation.

These restrictions may limit, or inhibit, rights of certain persons, including non-Canadians, to acquire our shares, to exercise their rights as shareholders and to initiate and complete take-over bids in respect of our shares. As a result, these restrictions may limit the demand for our shares from certain shareholders and thereby adversely affect the liquidity and market value of our shares held by the public.

Following through on a commitment which the Federal Government made in its March 2010 Speech from the Throne, in June 2010, Industry Canada issued a consultation paper seeking public comments on proposals to reform Canada's foreign ownership and control restrictions that currently apply to facilities-based telecommunications service providers providing telecommunications services in Canada, known as "telecommunications common carriers" (TCCs), including us and many of our competitors. The Industry Canada consultation paper set out three different foreign ownership reform options for comment. The consultation closed on July 30, 2010, and on November 22, 2010, the Minister of Industry announced that he would consider which approach to adopt on foreign ownership rules at the same time as decisions are made regarding the 700 MHz spectrum auction rules, as part of an integrated regulatory approach. The 700 MHz spectrum consultations were subsequently launched on November 30, 2010. It is not possible to predict at this time which, if any, of the three reform options may be implemented, or, if implemented, the impact it could have on our share price.

Dilution

We are authorized to issue an unlimited number of common shares and an unlimited number of preference shares on those terms and conditions as are established by the board of directors without the approval of any Bell Aliant Inc. shareholders. The Bell Aliant Inc. shareholders (other than BCE and Bell Canada, under the securityholders' agreement) will have no pre-emptive rights in connection with such further issues.

Income, commodity and transfer taxes

We believe that we have adequately provided for all income, commodity and transfer taxes based on all of the information that is currently available. The calculation of income taxes and the applicability of commodity and transfer taxes in many cases, however, require significant judgement in interpreting tax rules and regulations. Our tax filings are subject to government audits which could materially change the amount of current and future income tax assets and liabilities and other liabilities and could, in certain circumstances, result in an assessment of interest and penalties.

Risks specific to us while structured as an income trust

Taxation of Bell Aliant Holdings Trust, Bell Nordiq Trust and the Fund

Interest on the indebtedness of Bell Aliant GP and Bell Nordiq Group Inc. (with respect to its taxation years prior to its June 30, 2007, windup) to Bell Aliant Holdings LP will be included in the income of Bell Aliant Holdings LP for Canadian federal income tax purposes on an accrual basis, whether or not actually paid. Bell Aliant Holdings LP is also required to include in its income, its share of the income of Télébec and NorthernTel for each year, whether or not such income is distributed. Bell Aliant Holdings Trust and Bell Nordiq Trust are in turn, required to include in their respective income their share of the income of Bell Aliant Holdings LP for each year. A sufficient amount of the annual net income (including net realized capital gains) of each of Bell Aliant Holdings Trust and Bell Nordiq Trust for each year was intended to be paid or payable in each year to us in order to eliminate Bell Aliant Holdings Trust's and Bell Nordiq Trust's respective liability under Part I of the Tax Act. Such amount will thereby be included in our income as sole unitholder of Bell Aliant Holdings Trust and Bell Nordiq Trust.

Interest expense deduction

Income fund structures generally involve significant amounts of subordinated inter-company or similar debt, generating substantial interest expense, which serves to reduce earnings and therefore income taxes payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against Bell Nordiq Group Inc. (with respect to its taxation years prior to its June 30, 2007, windup) or Bell Aliant GP, it could materially adversely affect the amount of cash available to us. We believe that the interest expense inherent in our organizational structure as an income trust was supportable and reasonable in light of the terms of the related indebtedness.

Allocation of partnership income

The general partners of Bell Aliant Holdings LP, Bell Aliant LP, Télébec and NorthernTel allocated the respective incomes of such partnerships among their respective partners in accordance with the terms of the related partnership agreements. The Tax Act contains provisions that permit a reallocation of partnership income or loss among members of a partnership where the agreed-upon allocation is not reasonable in the circumstances. Although such allocations are believed to be reasonable in the circumstances, there can be no assurance that taxation authorities will not seek to challenge such allocation. If such challenge were to succeed, the amount of cash available to us could be adversely affected.

For a discussion of the historical risks that formerly applied to us as an income trust, please refer to the "Risk management" sections of our 2009 Annual MD&A and interim MD&As for the first, second and third quarters of 2010.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian securities law. An evaluation of the effectiveness of our disclosure controls and procedures as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), was performed under the supervision and participation of our management, including the chief executive officer (CEO) and chief financial officer (CFO). Based on the evaluation, the CEO and CFO concluded that the design and operation of our disclosure controls and procedures were effective as at December 31, 2010.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in NI 52-109. Our internal control framework is based on the criteria published in the report Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The CEO and CFO evaluated the design and operating effectiveness of our internal control over financial reporting as at December 31, 2010, and have concluded that our internal control over financial reporting was effective. There are no material weaknesses that have been identified by management.

No changes were made in our internal control over financial reporting during the year ended December 31, 2010, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.