



ALIAN T TELECOM INC.

2000 ANNUAL INFORMATION FORM

February 26, 2001

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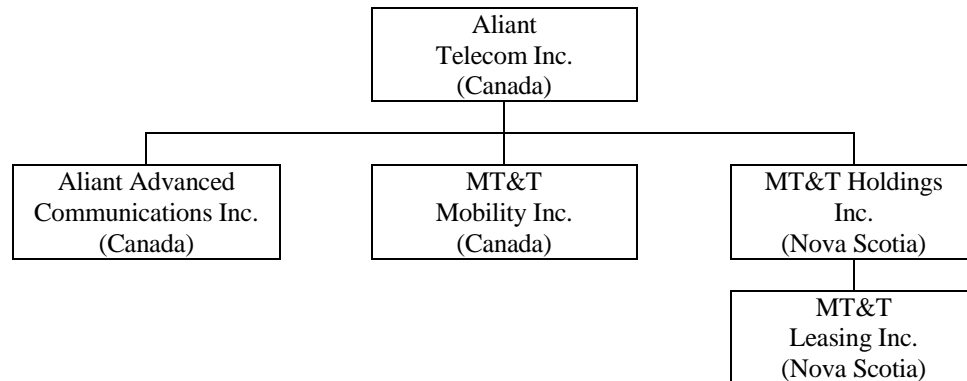
ITEM 2 CORPORATE STRUCTURE

NAME AND INCORPORATION

Aliant Telecom Inc. (“Aliant Telecom” or “the Company”) was incorporated on August 4, 1999 pursuant to the provisions of the *Canada Business Corporations Act* to become the telecommunications arm of its parent company, Aliant Inc. (“Aliant”). The registered office of the Company is at 69 Belvedere Avenue, Charlottetown, Prince Edward Island.

INTERCORPORATE RELATIONSHIPS

The following diagram sets out the name of each direct or indirect subsidiary of the Company as at February 26, 2001, including the jurisdiction of incorporation, continuance, or organization of such subsidiary. Aliant Telecom owns 100% of the outstanding common shares of the companies indicated. There are no subsidiaries of the Company, other than ones which are set out below: (i) the total assets of which constitute more than 10 percent of the consolidated assets of the Company, (ii) the sales and operating revenues of which exceed 10 percent of the consolidated sales and operating revenues of the Company, or (iii) if combined with other subsidiaries not depicted below, would exceed the thresholds in (i) and (ii) if the references to 10 percent were changed to 20 percent.



ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

THREE YEAR HISTORY

Creation of Aliant

On March 22, 1999, Maritime Telegraph and Telephone Company, Limited, Island Telecom Inc. (“Island Tel”), Bruncor Inc. and NewTel Enterprises Ltd. (collectively referred to as the “Combining Companies”) announced that they had entered into a Combination Agreement which created Aliant. Aliant is engaged, through its subsidiaries, in four core lines of business: telecommunications, information technology, remote communications and emerging business. Aliant Telecom operates Aliant’s telecommunications line of business.

Over the past several years, the Combining Companies have developed, implemented and executed business plans that have been designed to provide substantial growth opportunities, both within and outside their traditional telecommunications businesses, and both inside and outside of their traditional territories. These business plans have been successful in maintaining and enhancing the profitability of each Combining Company within a demanding and increasingly competitive environment.

The Combining Companies decided in early 1999 that their combination, together with the development of a strong strategic relationship with BCE Inc. (“BCE”) and Bell Canada, would have benefits for their shareholders, customers, employees and other stakeholders. The benefits included:

- providing greater scale within their traditional territories that would allow for the maintenance of a competitive cost structure;
- permitting broader scope in the integration of the product lines of the Combining Companies for delivery of products and services throughout their traditional territories;
- providing more assured and cost-effective access to the technology and brands of Bell Canada and its partners for delivery within their traditional territories;
- permitting a greater scale of investment in the development and support of products and services to customers both inside and outside of their traditional territories;
- providing a larger platform from which to fund and evaluate growth opportunities, especially in remote communications services and emerging businesses, of the four Combining Companies. As a larger company, Aliant’s portfolio of growth opportunities will benefit from the investment of additional capital. Aliant also has greater potential to export its products and services outside Atlantic Canada;
- achieving benefits from the merging of activities in the information technology business in order to develop further scale in specific industry capabilities; and
- creating a much more significant market capitalization and public float, which will provide substantially greater liquidity and the opportunity for significant institutional exposure for the shares of Aliant in comparison to the capital markets presence of each of the Combining Companies individually.

As a result of the combination, the Combining Companies expected the telecommunications line of business to annually save \$86 million in cash operating costs and \$50 million in capital expenditures on an run-rate annualized basis by mid 2001. By December 31, 2000, estimated operating cost savings for the year were \$47.1 million, and the run-rate-annualized targets have been met. Synergies are being realized from the consolidation of functional support areas and the combined purchasing power. One-time restructuring costs to achieve these savings were recorded in 1999 amounting to \$78.0 million (\$42.7 million after tax) which included voluntary early retirement programs,

employee transfer costs and other costs resulting from merger integration activities. By December 31, 2000, 513 employees had accepted the early retirement plan and were leaving the Company.

Creation of Aliant Telecom

Aliant Telecom was incorporated on August 4, 1999, as the holding company for Aliant's telecommunications subsidiaries. The primary subsidiaries were Island Tel, Maritime Tel & Tel Limited ("MTT"), NBTel Inc. ("NBTel") and NewTel Communications Inc. ("NewTel"), (collectively the "ATI Telcos"), MT&T Mobility Incorporated ("MT&T Mobility") and NewTel Mobility Limited ("NewTel Mobility").

Reorganization of Aliant Telecom

Effective January 1, 2001, Aliant Telecom amalgamated (the "Amalgamation") with most of its wholly owned subsidiaries including the ATI Telcos.

Effective with the Amalgamation, Aliant Telecom assumed all of the assets and obligations of the amalgamating companies, including the ATI Telcos. Most of the assets of Island Tel, MTT and NewTel were subject to mortgages and charges securing first mortgage bonds issued by these companies. Prior to the Amalgamation, on December 15, 2000, the holders of these first mortgage bonds approved certain changes to the trust indentures governing those bonds. These changes included (i) limiting the mortgage and charge created by the trust indentures to include only that real and tangible personal property located in the province where each company had maintained its primary operations (Prince Edward Island, Nova Scotia and Newfoundland, respectively); (ii) revising the provisions under which the indenture trustee is authorized to release the mortgage and charge, and (iii) prohibiting each company from issuing additional bonds under those trust indentures. The changes were necessary to ensure that, on amalgamation, the mortgage and charge created by these trust indentures did not extend to all of the property of Aliant Telecom and thereby violate the negative pledge provisions contained in Aliant Telecom's trust indenture and other trust indentures of the ATI Telcos.

Appointment of new officers

On February 5, 2001, it was announced that Gerald L. (Gerry) Pond would become President of the Company effective March 1, replacing Colin Latham who has decided to retire. Also, effective February 26, 2001, J.A. (Jay) Forbes was appointed Senior Vice-President and Chief Financial Officer of the Company.

STRATEGIC ALLIANCE WITH BCE AND BELL CANADA

Aliant and the Combining Companies entered into a Memorandum of Agreement dated March 19, 1999, as amended, with BCE and Bell Canada. This long term strategic alliance agreement provides for an orderly transition and continuity of the business relationships between them and summarizes the understanding of the parties with respect to a strategic alliance for the provision and delivery of telecommunications services.

The agreement identifies the Atlantic Provinces as the traditional territory of Aliant and Quebec and Ontario as the traditional territory of Bell Canada. The agreement provides that Aliant is the vehicle by which telecommunications services will be offered in Aliant's territory, and commits BCE and Bell Canada to the development and growth of a strong and independent Aliant. It assures that Aliant is Bell Canada's preferred supplier of telecommunications services offered in the Atlantic Provinces. It identifies specific areas of co-operation for the purpose of providing a seamless delivery of services.

Aliant gains access to Bell Canada's technology, the exclusive right to use specified Bell Canada trademarks in its traditional territory, and a license to use Bell Canada's promotional materials. Bell Canada agreed to promote the use and sale of technology and intellectual property developed by Aliant. Each party has agreed to provide the other with support services, including access to operational support and technical, marketing, training and similar assistance. Both parties will attempt to achieve benefits resulting from a pooling of their requirements such as the aggregation of traffic and purchasing requirements.

With an initial term of five years, the agreement will continue in effect for as long as BCE holds an interest in Aliant of at least 10 percent, subject to termination rights on the occurrence of certain specified events. BCE may not increase its ownership interest in Aliant beyond 55% except by making an offer for all remaining common shares. BCE is entitled to appoint two directors to an Aliant board of 13 directors (which can be increased to 15 directors without BCE's consent or additional representation).

On January 27, 2000, BCE took up and accepted for purchase 15,800,000 common shares of Aliant, which had been tendered by Aliant shareholders under BCE's cash tender offer. After this purchase, effective as of April 27, 2000, BCE's direct and indirect ownership of Aliant increased from 41.4% to 53.46% of the outstanding shares of the Aliant, making Aliant a majority-owned subsidiary of BCE.

SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

Aliant Telecom did not make any significant acquisitions or dispositions during 2000.

TRENDS, COMMITMENTS AND UNCERTAINTIES

Operational trends and uncertainties faced by Aliant Telecom are discussed below in Item 4 under the headings "Competition", "Regulation" and "Technology".

ITEM 4 DESCRIPTION OF THE BUSINESS

Measured by revenues, Aliant Telecom is Canada's third largest full-service telecommunications business. Aliant Telecom provides a full range of voice and data communications services including local, long-distance, data, Internet and other wireline and wireless services.

Aliant Telecom had revenues of \$1.7 billion, net income of \$191.1 million and assets totaling \$2.5 billion for the year ending and as at December 31, 2000.

PRODUCTS AND SERVICES

Local service

Local service revenues are derived principally from the provision of network access service to residence and business customers, local data access service, telephone set rentals and enhanced service options. Local services are also offered in service bundles or packages, which may include some long-distance and Internet services. Contribution payments for access to Aliant Telecom's local network by long-distance carriers, including the long-distance operations of Aliant Telecom, are also included in local revenues.

The following is a breakdown of local revenues, showing revenues from external customers, from other Aliant lines of business and from Aliant's controlling shareholder, Bell Canada:

Local revenues (<i>in thousands of dollars</i>)	2000	1999
Revenues from external customers	\$ 847,476	\$ 849,678
Revenues from other Aliant lines of business	5,739	637
Revenues from Bell Canada and BCE	-	-
	\$ 853,215	\$ 850,315

Long distance service

Long distance service revenues are derived from toll service and network services. Toll service consists of basic message toll service, including long distance services, which are carried out by a variety of calling plans. Network services include private line voice services and business data services. Business data services are offered to customers to meet a wide variety of their needs, including public digital packet switched communications networks through such plans as DataPac, and digital private line services through such plans as DataRoute and MegaStream/MegaRoute.

The following is a breakdown of long distance revenues, showing revenues from external customers, from other Aliant lines of business and from Aliant's controlling shareholder, Bell Canada:

Long distance revenues (<i>in thousands of dollars</i>)	2000	1999
Revenues from external customers	\$ 415,244	\$ 421,353
Revenues from other Aliant lines of business	11,495	4,312
Revenues from Bell Canada and BCE	13,034	12,780
	\$ 439,773	\$ 438,445

Wireless

Wireless services include the cellular, paging and other mobile communications provided by Aliant Mobility, a division of Aliant Telecom. Cellular and paging services are offered through various plans for consumer and business customers.

2000 saw the continued expansion of Aliant Telecom's digital cellular service to provide coverage in major urban centres in all four Atlantic provinces and, at 35% population coverage, is the largest digital footprint in Atlantic Canada. In October 2000, Aliant Mobility began offering a new suite of wireless data services called *WireFree*, enabling customers to access the Internet and e-mail from their web-enabled digital cellular phones or other hand-held computing devices at speeds up to 14,400kbps. In September 2000, *OceanCell* services were launched, providing analog cellular services to the Sable Island (Nova Scotia) offshore area.

The following is a breakdown of wireless revenues, showing revenues from external customers, from other Aliant lines of business and from Aliant's controlling shareholder, Bell Canada:

Wireless revenues (in thousands of dollars)	2000	1999
Revenues from external customers	\$ 216,279	\$ 185,723
Revenues from other Aliant lines of business	20	-
Revenues from Bell Canada and BCE	-	-
	\$ 216,299	\$ 185,723

Other telecommunications services

Other telecommunications revenues are derived from Internet services, equipment sales, consulting services and new services such as *VibeVision*.

The following is a breakdown of other telecommunications revenues, showing revenues from external customers, from other Aliant lines of business and from Aliant's controlling shareholder, Bell Canada:

Other revenues (in thousands of dollars)	2000	1999
Revenues from external customers	\$ 223,461	\$ 130,587
Revenues from other Aliant lines of business	-	-
Revenues from Bell Canada and BCE	10,968	-
	\$ 234,429	\$ 130,587

For a complete discussion on the operating results of the telecommunications line of business please refer to document entitled "Management's Discussion and Analysis for the Year Ended December 31, 2000" which is incorporated herein by reference.

Aliant Telecom and its predecessor companies have been influenced over the last five years by increasing competition in businesses that were formerly regulated monopolies

and changes in regulation. These are described below under the headings “Regulation”, and “Competition”. Also, rapidly advancing technology is evolving the business more towards Internet-based, data and wireless services. This transition creates challenges in the form of shorter asset lives for new investments and opportunities in the form of new sources of revenue and growth.

REGULATION

General

As "Canadian carriers", the ATI Telcos were, and Aliant Telecom is now, regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC" or "Commission") pursuant to the *Telecommunications Act*. The Commission has broad powers with respect to the terms and conditions of provision of telecommunications services by Canadian carriers, subject to its power to forbear from regulation as described below under the heading “Forbearance”. That is, unless the CRTC has decided to forbear from the regulation of certain services, a Canadian carrier is required to, among other things, file tariffs for approval with the CRTC for the rates and terms and conditions of the services it offers and obtain approval of all agreements it may enter into with other telecommunications carriers for the exchange of telecommunications traffic.

Price cap regulation

In a 1994 decision, the CRTC announced that it would introduce price cap regulation for utility services beginning January 1, 1998. The CRTC established a price cap plan for the telephone companies, including the ATI Telcos (and now Aliant Telecom) that is in effect from January 1, 1998 until December 31, 2001. It provides that the companies may increase or decrease prices of those utility services that are subject to price cap regulation, so long as the aggregate of prices for those services does not exceed an index (the “price cap index” or “PCI”). The PCI is adjusted each year by the rate of inflation less a “productivity offset” of 4.5%, plus or minus an “exogenous factor” for matters beyond the control of the telephone companies.

The PCI is applied to a “basket” of utility services offered by telephone companies including residential local services and single and multi-line local business services. Residential local services are subject to further pricing constraints in that prices for those services cannot increase, on average, by more than the inflation rate. Certain utility services, such as optional local services, are not subject to price caps.

In anticipation of the end of the initial price cap period at the end of 2001, the Commission has initiated a review of the price cap regime. In a related matter, in November 2000, the Commission announced changes to the contribution collection mechanism as discussed below under “Contribution”. Additional proceedings during 2001 are expected to consider such items as whether and in what form the price cap regime should be continued. Industry members, including Aliant Telecom, Bell Canada, long-distance and local competitors, and representatives of consumer interest groups are

participating in a series of negotiations in order to arrive at a collaborative proposal to submit to the CRTC in advance of these review proceedings.

Contribution

Currently all long-distance service providers, including Aliant Telecom, are required to make contribution payments based on their eligible long-distance minutes. Prior to 2001 these payments were made into regional pools to be "withdrawn" by local service providers, including Aliant Telecom, to subsidize certain high-cost residential services. Commencing in 2001 a national pool will replace the regional ones and the basis for determining the amount of contribution to be paid by the service provider changes from toll minutes to a 4.5% "tax" on all eligible revenues. The impact of the decision is to broaden the base of service providers making contribution payments and to broaden the base upon which contribution is assessed. In 2001 this has the impact of reducing the amount of contribution costs to ATI. Further, in 2002 the calculation of the amount of contribution subsidy required to be paid into the national fund changes as well.

Starting in 2002 the contribution revenue shortfall will be determined based on "Phase II" costs, which are incremental costs, rather than "split rate base" costs, which was an allocated costing model. Aliant Telecom estimates that the net effect of this decision will be neutral to positive on its earnings in 2001. The decision is being appealed by several parties and the outcome of such appeals is not known at this time.

For 2001, the last year of the current price-cap period, utility service providers may consider the 4.5% contribution payment as an "exogenous factor" in determining the PCI that will be applied to its local service prices for the year.

Forbearance

The CRTC has the power to forbear from exercising its regulatory powers, in whole or in part and conditionally or unconditionally, where it is satisfied that to do so would be consistent with Canadian telecommunications policy objectives. With increasing competition in telecommunications, the CRTC has found it appropriate, in several circumstances and to varying degrees, to forbear from regulating the telephone companies and their competitors with respect to the services they offer.

Between 1994 and 1999 the CRTC granted forbearance for many telecommunications services including the sale of terminal equipment, packet switched data services, frame relay services, electronic messaging and information services, voice long distance services, high-speed private line services on certain major routes, mobile wireless services (including paging, cellular, PCS, mobile data and two-way radio) and Internet services.

During 2000 the CRTC granted forbearance from regulation of wide area network (WAN) services, while an application for forbearance of digital network access services was denied on the basis that competition for these services had not been sufficiently developed at this time.

Broadcast distribution

In 1998 NBTel became the first telecommunications company in Canada to be granted the right to obtain a broadcast distribution undertaking ("BDU") by the CRTC. The BDU allows Aliant Telecom to provide television services through its broadband network in Saint John and Moncton. In January 2000, NBTel launched interactive television services (*VibeVision*TM) in Moncton and in May it was launched commercially in Saint John.

In August 2000, MTT received approval from the CRTC of its application for a BDU to provide broadcast services in the Halifax Regional Municipality. *VibeVision* is currently undergoing an employee launch in Halifax and will be launched commercially early in 2001. Since the Amalgamation on January 1, 2001, Aliant Telecom has become the holder of the BDU's in Moncton, Saint John and Halifax.

Amalgamation

The Amalgamation of the ATI Telcos into Aliant Telecom poses no special regulatory concerns. Alignment of such items as tariff rates for services and depreciation rates was, and will continue to be, accomplished gradually with the consultation and approval of the CRTC where necessary.

COMPETITION

Through the decade of the 90's, the CRTC has implemented a policy of introducing competition in various aspects of the telecommunications business, which were formerly regulated monopolies. Major steps were taken in 1990 with the allowance of resale of telephone service to provide long distance services, in 1992 with the allowing of voice long distance service competition by carriers using their own network facilities, and in 1997 with the allowance of competition in the provision of local services. The Commission has adjusted the regulatory framework as competition has become established. Initially, a number of competitive safeguards were imposed limiting the ability of the incumbent telephone companies to bundle services in offerings to customers, and restricting their ability to reduce prices. As competition has increased, certain of these safeguards have been reduced or withdrawn, and regulation of certain services has been forborne in whole or in part. (See the section above entitled "Forbearance")

Other aspects of the telecommunications business have been competitive for much longer or since their inception, including private line and data services, sale of telephone terminal equipment, telephone directory advertising and cellular and other wireless services. Virtually all aspects of Aliant Telecom's business are now subject to competition. It is not dependent on any single customer for 10 percent or more of its revenues or income, but larger business customers do account for a significant portion of its revenues.

Local

In compliance with regulatory requirements, Aliant Telecom put in place the software, equipment and procedures to allow for local number portability (“LNP”), local network interconnection (“LNI”) and the resale of local loops throughout the Atlantic region as required. There are a number of competitive local exchange carriers (“CLECs”) operating in the region with particular focus on the business market in the Halifax and St. John’s areas. One of these CLECs also offers residential access service, mainly in the Halifax market. Aliant Telecom expects that the degree of local competition will continue to grow in 2001.

Long-distance

Long-distance competition continued to be strong in 2000. There are over 30 competitors for long-distance services in Atlantic Canada, offering flat-rate monthly pricing packages and discounted per-minute rates in both the residential and business markets. Management expects these pressures to persist and long-distance margins will continue to narrow, although the pace at which prices are falling in Atlantic Canada has moderated. Aliant Telecom continues to focus on maintaining margins through improved efficiency and stable market share. Aliant Telecom estimates its share of the Atlantic Canada long-distance market was 88% at the end of 2000, up from about 86% at the end of 1999. Increasing market share in the face of intense competition was achieved primarily through the bundling of long distance with other services such as local and Internet services.

Wireless

In its wireless business, Aliant Telecom faces three competitors for paging services and two competitors for cellular services. A third cellular competitor has a limited presence in the region by way of offering roaming facilities to other national carriers. Aliant Telecom estimates it holds approximately 75% of the cellular market in Atlantic Canada. Although some additional cellular market share could be lost to new competitors, management is confident superior service offerings, competitive pricing and greater coverage will help the Company retain a strong market position. This market leadership was evidenced in 2000 by the extension of prepaid cellular services and a wireless data network across the four Atlantic provinces. Also, market and technology conditions are being closely monitored to ensure additional digital services, such as *WireFree*, are deployed at the time that best serves customer needs.

Aliant Telecom, together with other mobility affiliates of Bell Canada, bid for additional Personal Communications Services (PCS) wireless spectrum that was auctioned by Industry Canada in January 2001. Through a successful bid, Aliant Telecom was able to acquire five new PCS spectrum licenses for Atlantic Canada. This additional spectrum will allow Aliant Telecom the flexibility to offer new “third generation” wireless services as market and network-capacity conditions dictate. Existing competitors as well as new entrants also participated in the auction, however no new entrants were successful in obtaining licenses for the region. The number of competitors may still increase as

existing wireless system operators may choose to sell their additional wireless capacity, in bulk, to other competitors for resale to the public.

Internet and interactive television

Aliant Telecom is the major Internet service provider (ISP) in Atlantic Canada, with an estimated market share of 69% of the dial-up market. In addition to dial-up service, which is available throughout the region, Aliant Telecom offers high-speed Internet services to a growing number of Atlantic communities. High-speed capability now passes 450,000 homes in Atlantic Canada and this is expected to increase to approximately 635,000 homes by year-end 2001 through continued investment in digital subscriber line (DSL) technologies. Aliant Telecom estimates it holds about a 63% market share in high-speed services, its major competitors being cable television companies. Competition exists throughout the region for both Internet dial-up and high-speed services. However, Aliant Telecom's focus on quality, customer service, and its range of applications, along with the dedicated two-way access on its high-speed network, will enable the Company to maintain a strong market position into the future.

Aliant Telecom considers the growth and retention of the Internet customer base to be a key component in its strategy to build its interactive multimedia business and migrate it to a broadband network. Aliant Telecom competes with cable service providers in the digital television service market, where its *VibeVision* service is now offered in Moncton and Saint John. Also, a broadcast distribution license has been granted by the CRTC for Aliant Telecom to serve Halifax, and this launch is planned for 2001. In the future these services will be offered in other areas of the Atlantic Provinces assuming favourable market conditions, the economics of available technology, and the approval of the CRTC.

TECHNOLOGY

The major technological challenge facing Aliant Telecom over the coming years is to deploy a "next generation network" infrastructure that takes into account shortened product life cycles and facilitates the convergence of different market segments – all while satisfying customer demands for new products and services at competitive prices. Technological advances may also affect Aliant Telecom's level of earnings by shortening the useful life of some of its assets. Retention of customers for longer terms becomes even more important due to the high up-front costs of new technology. Further, technological advances may well emerge that could reduce the costs of plant and equipment, and eliminate or reduce barriers that deter other companies from competing in particular market segments. The merger into Aliant and the formation of Aliant Telecom has partially addressed this technology risk as the larger organization can now spread resources, investment and knowledge across the region. At the time of the merger the potential for \$50 million in annual capital expenditure savings was identified. By the end of 2000 \$32 million of these savings measures had been implemented and the annual rate of \$50 million will be reached by June 2001.

In addition to being a source of new revenue streams, advancing technology is also enabling Aliant Telecom to reduce costs in certain areas. The Internet brings an

opportunity to provide customers with self-serve options, greatly reducing the costs of customer transactions.

Aliant Telecom has made fairly significant investments in the last four years in advancing the capacity and scope of its broadband multimedia network. Evolving the communications network to be able to carry and manage broadband services is essential to the future growth of Aliant. Many of the revenue sources that hold the greatest growth potential in the next few years involve services that are now or soon will be offered over this network. These include Internet, e-commerce, broadband data transmission and interactive television services. At this time there is no assurance that broadband technologies and services will continue to be developed according to anticipated schedules, that they will perform according to expectations, or that they will achieve commercial acceptance to the degree necessary to make these investments profitable.

ALLIANCES

Stentor

The ATI Telcos were members of Stentor, a working association of nine provincial Canadian telephone companies. The Stentor alliance went through major changes in 1999 as the member companies decided to pursue independent, competitive service development and marketing strategies. Stentor managed the interconnections which provide long distance telephone and data transmission facilities across Canada, established operating procedures to expedite the handling of long distance calls within Canada and internationally, and administered the system of financial transactions among the members and with international carriers for the settlement of revenues for these services. Through Stentor, the members formed an alliance with MCI Telecommunications Corp. for the development and delivery of a portfolio of advanced network services. Additionally, the members were parties to agreements with AT&T, MCI WorldCom, Sprint, Teleglobe Canada and others that provide for interconnecting international telecommunications services. Stentor also served a role in research and development, national marketing and government-relations.

As of January 1, 1999, certain functions previously carried out by Stentor were assumed by the individual member companies. Functions of continuing value that were returned to the individual member companies were made available to other members on a contracted basis. The connecting agreement and the related governance agreement under which Stentor had operated was terminated effective December 31, 1999. Effective January 1, 2000, Bell Canada took over the remaining activities previously provided by Stentor, offering these services to the former member companies on a contractual cost recovery basis. It is expected that these costs will be reduced because of the synergy gains from the amalgamation with similar operations existing in Bell Canada.

Mobility Canada

The cellular operating divisions or affiliates of the Stentor member companies formed Mobility Canada, of which Aliant Telecom and its mobility affiliates are members. This

alliance has provided coordination of cellular coverage across Canada and coordination of agreements with cellular service providers elsewhere. It also provided national marketing and certain shared administrative functions, such as financial settlements among the member companies and with other cellular service providers, and national billing infrastructure.

As in the case of Stentor, the members of Mobility Canada in 1999 decided to pursue independent, competitive service development and marketing strategies. Accordingly, Mobility Canada no longer provides national marketing and this function has been assumed by the member companies. Mobility Canada continues to provide certain shared administrative functions to the member companies on a contract basis.

New Alliance Agreements

In 1999 agreements were signed for an alliance with BCE's new national broadband and Internet provider company, BCE Nexxia Inc. ("Nexxia"). Under these agreements Aliant Telecom provides network and access facilities to Nexxia in the Atlantic Provinces, and provides and distributes Nexxia services to customers in the Atlantic Provinces. Aliant Telecom obtains access to Nexxia intellectual property, and access to a highly advanced national broadband network over which to offer many of its innovative applications.

Throughout 1999 and 2000, Aliant Telecom conducted negotiations for other specific agreements necessitated by the wind-down of the Stentor alliance, and to give definition to a new alliance with Bell Canada, MTS Communications Inc. and Saskatchewan Telecommunications. These include an Operational Support Services agreement with Bell Canada for the provision of former Stentor services, a revised arrangement for revenue settlement, the final requirements for the formal windup of Stentor, and a sub-license for the exclusive provision of MCI WorldCom Inc. On-Net Services to Aliant Telecom's customers.

New terms for interconnection and exchange of traffic with Telus Communications Inc. and Telus Communications (B.C.) Inc. were also negotiated.

PROPERTY

The physical property of Aliant Telecom consists of land, buildings, towers, plant and equipment including poles, wire, cable, underground conduit, microwave radio relay equipment, fibre optic cable and equipment, motor vehicles, office furniture, materials and supplies, other miscellaneous equipment and construction in progress. As at December 31, 2000, the gross value of the property amounted to approximately \$4.7 billion and the net book value was approximately \$2.1 billion. Aliant Telecom's buildings together with its other plant, apparatus and equipment are located throughout Atlantic Canada.

RESEARCH AND DEVELOPMENT

In 2000, Aliant Telecom or its subsidiaries spent approximately \$2.5 million on research and development of new telecommunications products and services for customers and for more cost-effective operation of the telecommunications network.

ENVIRONMENTAL MATTERS

Aliant Telecom has adopted an environmental plan based on conducting its business affairs in a manner which protects people and their environment. The costs of these environmental plans are included in the capital expenditure program and are not expected to have a material impact on future years' earnings. As well, management is not aware of any environmental matters that materially threaten the Company's future earnings or financial position.

EMPLOYEE RELATIONS

As of December 31, 2000, Aliant Telecom had 6,692 employees (1999 – 6,945).

Approximately 60% of Aliant Telecom's employees are covered by the terms of collective agreements:

In PEI, there are collective agreements with the union locals representing clerical staff, operators, craft employees and first level managers. Contracts with the Communications, Energy and Paperworkers Union of Canada ("CEP") representing PEI operators, clerical and craft employees expire on January 5, 2002. The agreement with first level managers, which expired January 1, 2000, is still under negotiation. The conciliation process has been exhausted and discussions are currently stalled.

In Nova Scotia, there are collective agreements with the Atlantic Communication and Technical Workers Union representing craft and clerical workers and operators. These contracts have an expiration date of December 31, 2001.

In New Brunswick, there are collective agreements with the CEP union local representing operators and technical employees. These contracts expire on March 29, 2003. During 2000, CEP undertook an organizing drive among support services employees and subsequently filed an application with the Canada Industrial Relations Board ("CIRB" or the "Board") to represent these employees. The application remains before the Board.

In Newfoundland, there is a collective agreement with the CEP union local representing operators, clerical and craft employees. This agreement expires on December 31, 2001.

In October 2000, the Company filed an application with the CIRB seeking single employer designation and a review of the current bargaining unit structure. The position taken in the application is that a single bargaining unit and a single collective agreement is the most appropriate future structure. The application remains before the Board.

A total of 513 employees accepted a voluntary early retirement program offered in November 1999. During 2000, 482 employees left the organization as a result, with the remainder scheduled to leave in early 2001.

ITEM 5 SELECTED CONSOLIDATED FINANCIAL INFORMATION

THREE YEAR SUMMARY ⁽¹⁾

As at December 31 (thousands of dollars, except per share amounts)			
	2000	1999	1998
Total operating revenues	\$1,743,716	\$1,605,070	1,519,150
Total operating expenses	1,293,421	1,194,783	1,142,750
Restructuring costs	-	78,000	-
Other income	4,212	10,868	8,804
Interest charges	101,716	98,497	97,861
Income taxes	161,392	114,310	134,027
Non-controlling interest in net earnings	345	-	-
Net income	191,054	130,348	153,316
Net income excluding restructuring costs	191,054	173,011	153,316
Total assets	2,535,479	2,447,502	2,326,244
Long term debt (including debt due within one year)	1,055,005	1,074,511	991,645
Shareholders' equity	1,078,767	944,061	1,009,392
Non-controlling interest	1,563	-	-
Dividends declared	157,483	304,995	112,345

Notes to three year summary

(1) Certain information for 1999 has been restated to conform to the 2000 presentation format. The 1999 combination has been accounted for in these financial statements by the pooling of interests method, that is by combining the historical carrying values of the assets, liabilities, and shareholder's equity and historical operating results of the predecessor companies. Therefore, results for 1998 have not been restated to conform to the 2000 presentation format.

ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's document entitled "Management's Discussion and Analysis for the Year Ended December 31, 2000" is incorporated herein by reference.

ITEM 7 MARKET FOR SECURITIES

The Company's common shares are 100% owned by Aliant and are not publicly traded. The Company's medium term notes, which are publicly issued, have been rated A stable by Dominion Bond Rating Service and Standard & Poor's.

ITEM 8 DIRECTORS AND OFFICERS

The name, municipality of residence and principal occupation for each of the Directors of Aliant Telecom appear below. The Company has an audit committee, a corporate governance committee, a defined benefit pension investment committee, a human resources and compensation committee and an investment committee, memberships in which are indicated below.

<u>Name / Director Since</u>	<u>Residence</u>	<u>Principal Occupation</u>
Miller H. Ayre ^{1,2} April 22, 1999	St. John's, Newfoundland	Publisher, The Telegram (Publishing)
J. Charles Caty ^{3,4} April 22, 1999	Oakville, Ontario	Corporate Director
Lino J. Celeste ^{1,2,3,4,5} April 22, 1999	Saint John, New Brunswick	Chairman of the Board of the Company
Robert P. Dexter, Q.C. ^{1,2} April 22, 1999	Halifax, Nova Scotia	Chairman and Chief Executive Officer, Maritime Marlin Travel (Group) Limited (Travel Agency)
Ivan E. H. Duvar ³ April 22, 1999	Halifax, Nova Scotia	Corporate Director
Albert E. P. Hickman ³ April 22, 1999	St. John's, Newfoundland	Chairman and President, Hickman Motors Limited (Automotive sales and service)
Edward Reevey ^{1,5} April 22, 1999	Rothsay, New Brunswick	Corporate Director
Randall J. Reynolds ^{2,4} April 22, 1999	Thornhill, Ontario	President, Bell Nexxia (Telecommunications)

Alan K. Scales, Q.C. ² April 22, 1999	Charlottetown, Prince Edward Island	Partner, Stewart McKelvey Stirling Scales (Law Firm)
John Sheridan ^{1,3} June 23, 1999	Toronto, Ontario	President, Bell Canada (Telecommunications)
Donald C. R. Sobey ⁴ April 22, 1999	Trenton, Nova Scotia	Chairman, Empire Company Limited (Holding Company)
Stephen G. Wetmore April 22, 1999	St. John's, Newfoundland	Chief Executive Officer of the Company and President and Chief Executive Officer of Aliant
Charles W. White Q.C. ⁴ April 22, 1999	St. John's, Newfoundland	Partner, White Ottenheimer & Baker (Law Firm)

- 1 Audit Committee Member
- 2 Corporate Governance Committee Member
- 3 Human Resources and Compensation Committee Member
- 4 Investment Committee Member
- 5 Defined Benefit Pension Investment Committee Member

With the exception of the following individuals, all of the directors have been employed in the designated principal occupation, or in the same principal occupation for one of the Combining Companies, for the preceding five years:

Mr. Ayre is currently publisher of The Telegram, St. John's. Prior to this he was group Publisher and Chief Executive Officer of Thompson Newfoundland, prior to which he was Publisher and General Manager of The Evening Telegram. Prior to this he was Chairman, President and Chief Executive Officer of Ayre & Sons Limited.

Mr Reynolds is President of Nexxia, prior to which he was President of and Chief Executive Officer of BCE Mobile Communications Inc. Prior to which he held a number of positions within the Bell Mobility family.

Mr. Sheridan is President, Bell Canada, prior to which he was vice-chair, market groups, Bell Canada, prior to which he was president of Bell Canada (Ontario), prior to which he held a variety of senior executive positions in the Bell Canada family.

Prior to Mr. Wetmore's appointment as President and Chief Executive Officer of Aliant on April 22, 1999 and Chief Executive Officer of the Company, he was President and Chief Executive Officer of NewTel Enterprises Limited and Chief Executive Officer of NewTel Communications Inc. Prior to this he was President of Smart Capital Resources Inc. from 1997, prior to which he was President of Air Atlantic (1994) Ltd. from 1995 to 1997.

The officers of Aliant Telecom are as follows:

<u>Name</u>	<u>Residence</u>	<u>Position Held</u>
Stephen G. Wetmore	St. John's, Newfoundland	Chief Executive Officer
Gerald Pond	Rothesay, New Brunswick	President
Jay Forbes	Saint John, New Brunswick	Senior Vice President and Chief Financial Officer
Jack Travis	Quispamsis, New Brunswick	Senior Vice President, Sales and Marketing
Wendy Paquette	Halifax, Nova Scotia	Senior Vice President, Broadband and Wireless Services
Frank Fagan	St. John's, Newfoundland	Senior Vice President
Gerhard Erl	St. John's, Newfoundland	Vice President
David Rathbun	Bedford, Nova Scotia	Vice President
Barrie H. Black	Rothesay, New Brunswick	Vice President General Counsel and Corporate Secretary
G. Reid Parker	Quispamsis, New Brunswick	Treasurer
Manon Losier	Quispamsis, New Brunswick	Assistant Secretary

Prior to the Combination, each of the Officers held the following positions:

Prior Mr. Ponds's appointment as President, he was, and still is, an Executive Vice President of Aliant. Prior to this he was President and CEO of Bruncor Inc.

Prior to Mr. Forbes' appointment as Senior Vice President and Chief Financial Officer, he was Chief Financial Officer for Oxford Properties Group. Prior to this he was Senior Vice President and Chief Financial Officer of Nova Scotia Power Holdings Incorporated and Vice President and Chief Financial Officer of Nova Scotia Power Incorporated.

Prior to Mr. Travis' appointment as Senior Vice President, he was Vice President of Bruncor Inc.

Prior to Ms. Paquette's appointment as Senior Vice President, she was Vice President of Maritime Telegraph and Telephone Company, Limited.

Prior to Mr. Fagan's appointment as Senior Vice President, he was President and Chief Operating Officer of NewTel.

Prior to Mr. Erl's appointment as Vice President, he was Executive Vice President and Corporate Secretary of NewTel Enterprises Limited.

Prior to Mr. Rathbun's appointment as Vice President, he was Vice President of Maritime Telegraph and Telephone Company, Limited.

Prior to Mr. Black's appointment as Vice President General Counsel and Corporate Secretary, he was General Counsel and Corporate Secretary of Bruncor Inc.

Prior to Mr. Parker's appointment as Treasurer, he was Treasurer of Bruncor Inc.

Prior to Ms. Losier's appointment as Assistant Secretary, she was Assistant Secretary of Bruncor Inc.

ITEM 9 ADDITIONAL INFORMATION

The Company will provide to any person, upon request to the Corporate Secretary, One Brunswick Square, 18th Floor, P.O. Box 5030, Saint John, New Brunswick, E2L 4L4:

- a) when the securities of the Company are in the course of distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of securities, the following information:
 - i) a copy of the Annual Information Form, together with any document incorporated herein by reference,
 - ii) a copy of the comparative financial statements for the most recently completed financial year together with the accompanying report of the auditor and a copy of any interim financial statements subsequent to the financial statements for its most recently completed financial year,
 - iii) a copy of any other documents that are incorporated by reference into the preliminary short form prospectus or short form prospectus;
- b) or at any other time, a copy of any documents referred to in (1)(a)(i), (ii) and (iii) above.

Additional financial information is available in the Company's comparative financial statements for years ended December 31, 2000 and 1999.