

# Notice of annual meeting of unitholders and information circular

Annual meeting: May 16, 2007

Notice of annual meeting of unitholders	2
Information circular	3
About voting your units	3
About the Fund	6
What the meeting will cover	7
About the nominated trustees and directors	8
Report on executive compensation	13
Statement of governance practices	23
Compensation of trustees and directors	30
Other important information	31
Bell Aliant governance matters	32



# Notice of annual meeting of unitholders

## YOU ARE INVITED TO OUR ANNUAL MEETING OF UNITHOLDERS

### When

Wednesday, May 16, 2007, at 10:00 a.m. (Atlantic time)

### Where

Delta Brunswick, Ballroom  
39 King Street  
Saint John, New Brunswick

### What the meeting is about

The annual meeting of unitholders (the "Meeting") of Bell Aliant Regional Communications Income Fund (the "Fund") will cover three items of business:

- (1) receiving the consolidated financial statements of the Fund for the period ended December 31, 2006, together with the report of the auditors thereon;
- (2) electing the trustees of the Fund and approving the appointment of the directors of Bell Aliant Regional Communications Holdings Inc. that are to be appointed by the Fund for the ensuing year; and
- (3) appointing the Fund's auditors.

These three items of business are outlined in greater detail in the information circular accompanying this notice. The Meeting may also consider other business that properly comes before the Meeting or any adjournment.

### You have the right to vote

You are entitled to receive notice of and vote at the Meeting, or any adjournment, if you were a holder of Fund units at the close of business on March 30, 2007. Holders of special voting units of the Fund at the close of business on March 30, 2007, are also entitled to receive notice of and vote at the Meeting.

If you are unable to attend the Meeting, you may convey your voting instructions by appointing a proxyholder. Proxyholders can be appointed electronically using the Internet or by completing, signing and returning the enclosed form of proxy in the postage-paid envelope provided.

### Your vote is important

As a unitholder of the Fund, it is important that you read this material carefully and then vote your units, either by proxy or in person at the Meeting. This document tells you what you will be voting on and how to exercise your right to vote your units.

By order of the trustees of Bell Aliant Regional Communications Income Fund,

*Frederick P. Crooks, QC*

*Chief legal officer and secretary of Bell Aliant Regional Communications Inc., general partner of  
Bell Aliant Regional Communications, Limited Partnership, administrator of Bell Aliant Regional Communications Income Fund  
March 30, 2007*

**Note: If you are a new unitholder or a unitholder who did not elect to receive our 2006 annual report, you can view this report on our website at [www.bell.aliant.ca](http://www.bell.aliant.ca). If you wish to receive a hard copy of our annual report next year, please complete the request form in this package, and your name will be added to our mailing list.**

# Information circular

In this document, *you*, *your* and *unitholder* refer to the unitholders of the Fund (including holders of special voting units of the Fund, as applicable). *We*, *us*, *our* and *Fund* refer to the Bell Aliant Regional Communications Income Fund. **The information in this document is dated March 30, 2007, unless otherwise indicated.**

This circular is for the Bell Aliant Regional Communications Income Fund (the “Fund”) annual meeting of unitholders to be held on Wednesday, May 16, 2007, at 10:00 a.m. (Atlantic time) and any adjournment(s) or postponement(s) thereof (the “Meeting”). As a unitholder, you have the right to vote your units on electing or approving the appointment of trustees and directors (as explained in greater detail below), appointing the Fund’s auditors, and any other items that may properly come before the Meeting.

To help you make an informed decision, this circular tells you about the Meeting, the nominated trustees and directors, the proposed auditors, our governance practices, and compensation of trustees, directors and officers.

Your proxy is solicited by the Fund’s management. All costs associated with this solicitation of proxies will be borne by the Fund.

If you have any questions about any of the information in this document, please contact the Fund’s Investor Relations department toll free in Canada and the United States at 877-248-3113 or by e-mail at [investors@bell.aliant.ca](mailto:investors@bell.aliant.ca).

## Approval of this circular

The trustees of the Fund approved the contents of this circular and authorized it to be sent to each unitholder who is eligible to receive notice of and vote his or her units at our annual unitholder meeting, to each trustee and to the auditors.

# About voting your units

## VOTING BY PROXY

This is the easiest way to vote. Voting by proxy means that you are giving the person or people named on your proxy form (proxyholder) the authority to vote your units for you at the Meeting or any adjournment. A proxy form is included in this package.

You can choose from five different ways to vote your units by proxy:

1. by telephone;
2. on the Internet;
3. by mail;
4. by fax; and
5. by appointing another person to go to the Meeting and vote your units for you.

The persons named in the accompanying proxy form are officers and/or directors of Bell Aliant Regional Communications Inc. (“Bell Aliant GP”) the general partner of Bell Aliant Regional Communications, Limited Partnership (“Bell Aliant LP”), the Fund’s administrator. **These persons will vote your units for you, unless you appoint someone else to be your proxyholder. If you appoint someone else, he or she must be present at the Meeting to vote your units.**

If you are voting your units by proxy, our transfer agent, CIBC Mellon Trust Company (“CIBC Mellon”), **must receive your completed proxy form by 10:00 a.m. (Atlantic time) on Monday, May 14, 2007**, or 48 hours (excluding Saturdays, Sundays and statutory holidays in Toronto, Ontario) before any adjournment(s) or postponement(s) of the Meeting.

**You are a registered unitholder** if your name appears on your unit certificate. Your proxy form tells you whether you are a registered unitholder.

**You are a non-registered (or beneficial) unitholder** if your bank, trust company, securities broker or other financial institution (your “Nominee”) holds your units for you. For most of you, your proxy form tells you whether you are a non-registered (or beneficial) unitholder.

**If you are not sure whether you are a registered unitholder, please contact CIBC Mellon –**

CIBC Mellon Trust Company  
P.O. Box 7010  
Adelaide Street Postal Station  
Toronto, Ontario M5C 2W9

Telephone AnswerLine: 800-387-0825 *(toll free in Canada and the United States)*

Fax 866-781-3111 *(toll free in Canada and the United States)* OR  
416-368-2502 *(outside Canada and the United States)*

E-mail [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)

## HOW TO VOTE – REGISTERED UNITHOLDERS

### A. By proxy

1. By telephone
  - Call 866-271-1207 *(toll free in Canada and the United States)* from a touch-tone phone.
  - Using the telephone keypad, enter the 13-digit control number found on your proxy form.
  - Follow the instructions.
2. By Internet
  - Go to [www.eproxyvoting.com/bellaliant](http://www.eproxyvoting.com/bellaliant).
  - Enter the 13-digit control number found on your proxy form.
  - Follow the instructions.
3. By mail
  - Complete, sign and date the proxy form.
  - Detach and return in the envelope provided or otherwise to CIBC Mellon Trust Company, Proxy Dept., P.O. Box 721, Agincourt, Ontario M1S 0A1.
  - Please see *Completing the proxy form* for more information.
4. By fax
  - Complete, sign and date the proxy form.
  - Fax to 866-781-3111 *(toll free in Canada and the United States)* or 416-368-2502 *(outside Canada and the United States)*.
  - Please see *Completing the proxy form* for more information.
5. By appointing another person to go to the Meeting and vote your units for you
  - This person does not have to be a unitholder.
  - Strike out the three names that are printed on the proxy form and write the name of the person you are appointing in the space provided. Complete your voting instructions, date and sign the proxy form, and return it to CIBC Mellon as instructed.
  - Make sure that the person you appoint is aware that he or she has been appointed and attends the Meeting.
  - Please see *Completing the proxy form* for more information.

### B. In person at the meeting

- You do not need to complete or return your proxy form.
- Please bring the meeting registration portion of your proxy form to the Meeting. You will need it to register and enter the Meeting.

## HOW TO VOTE – NON-REGISTERED UNITHOLDERS

### A. By proxy

- Your Nominee is required to ask for your voting instructions before the Meeting. Please contact your Nominee if you did not receive a request for voting instructions or a proxy form in this package.
- In most cases, you will receive a voting instruction form that allows you to provide your voting instructions by telephone, on the Internet, by mail or by fax. The voting instruction form should be completed, signed and returned in accordance with the directions on the proxy form.
- Less frequently, you may receive from your Nominee a proxy form that has already been signed by the Nominee, which proxy is restricted as to the number of units beneficially owned by you, but is otherwise uncompleted. If you receive a proxy form, you should complete the proxy form in accordance with the directions on the proxy form and return it to CIBC Mellon Trust Company, Proxy Dept., P.O. Box 721, Agincourt, Ontario, M1S 0A1 or by facsimile at 800-781-3111 *(toll free in Canada and the United States)* or 416-368-2502 *(outside Canada and the United States)*. To be valid for use at the Meeting, proxies must be received before 10:00 a.m. (Atlantic time) on Monday, May 14, 2007.

### B. In person at the meeting

- We do not have access to the names or holdings of our non-registered unitholders. That means you can only vote your units in person at the Meeting if you have previously appointed yourself as the proxyholder for your units by printing your name in the space provided on the voting instruction form and submitting such instruction form as directed on the proxy form. **Your voting instructions must be returned according to the instructions on the proxy form.**
- You will be asked to register your attendance at the Meeting.
- Your vote will be taken and counted at the Meeting.

## COMPLETING THE PROXY FORM

You can choose to vote “For” or “Withhold” for the items listed on the proxy form. The units represented by proxy will be voted or withheld from voting in accordance with your instructions on any ballot that may be called for and if you specify a choice with respect to any matter to be acted upon, the units will be voted accordingly.

When you sign the proxy form, you authorize Lawson Hunter, chair of the board of trustees of the Fund, Charles White, vice-chair and lead independent trustee of the Fund, or Stephen Wetmore, president and chief executive officer of Bell Aliant GP, the general partner of Bell Aliant LP, the administrator of the Fund, to vote your units for you at the Meeting according to your instructions.

**If you return your proxy form and do not tell us how you want to vote your units, your vote will be counted:**

- **FOR electing the nominated trustees and approving the appointment of the directors of Bell Aliant Regional Communications Holdings Inc. (“Bell Aliant Holdings GP”) who are listed in this circular; and**
- **FOR appointing Deloitte & Touche LLP as auditors.**

Your proxyholder will also vote your units as he or she sees fit on any other matter that may properly come before the Meeting.

You have the right to appoint a person other than the persons designated in the proxy form to represent you at the Meeting. If you are appointing someone else to vote your units for you at the Meeting, strike out the three names that are printed on the proxy form and write the name of the person you are appointing in the space provided. **If you do not specify how you want your units voted, your proxyholder will vote your units as described above as he or she sees fit on any other matter that may properly come before the Meeting.**

If you are an individual unitholder, you or your authorized attorney must sign the proxy form. If you are a corporation or other legal entity, an authorized officer or attorney must sign the proxy form. A proxy form signed by a person acting as attorney or in some other representative capacity (including a representative of a corporate unitholder) should indicate that person's capacity (following their signature) and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has previously been filed with the Fund).

If you need help completing your proxy form, please contact Investor Relations (toll free in Canada and the United States) at 877-248-3113 or by e-mail at [investors@bell.aliant.ca](mailto:investors@bell.aliant.ca).

#### **CHANGING YOUR VOTE / REVOCATION OF PROXIES**

You can revoke a vote you made by proxy by:

- Voting again by telephone or on the Internet before 10:00 a.m. (Atlantic time) on Monday, May 14, 2007;
- Completing a proxy form that is dated later than the proxy form you are changing, and mailing it or faxing it to CIBC Mellon Trust Company, Proxy Dept., P.O. Box 721, Agincourt, Ontario, M1S 0A1 so that it is received before 10:00 a.m. (Atlantic time) on Monday, May 14, 2007;
- Sending a notice in writing from you or your authorized attorney (or, if the unitholder is a corporation, by a duly authorized officer) revoking your proxy to the secretary of Bell Aliant GP, the general partner of Bell Aliant LP, the administrator of the Fund so that it is received before 10:00 a.m. (Atlantic time) on Monday, May 14, 2007;
- Giving a notice in writing from you or your authorized attorney (or, if the unitholder is a corporation, by a duly authorized officer) revoking your proxy to the chair of the Meeting, at the Meeting or any adjournment; or
- Attending the Meeting in person and voting the units.

#### **UNITS AND SPECIAL VOTING RIGHTS**

The Fund is authorized to issue an unlimited number of units and an unlimited number of special voting units. The outstanding units and special voting units will vote together at the Meeting.

#### **HOW THE VOTES ARE COUNTED**

You have one vote for each unit you held on March 30, 2007. As at March 30, 2007, there were 135,196,386 Fund units outstanding, each carrying the right to one vote at meetings of unitholders of the Fund. In addition, as at March 30, 2007, there were 100,373,827 special voting units outstanding, each carrying the right to one vote at meetings of unitholders of the Fund. These special voting units are held by BCE Inc. (“BCE”) or its affiliates, as described below.

Only persons who were registered as holders of Fund units and special voting units as of the close of business on March 30, 2007 (the “Record Date”), are entitled to receive notice of, attend and vote at the Meeting. The Fund will prepare or cause to be prepared a list of the registered holders of Fund units and special voting units as of the close of business on the Record Date. At the Meeting, each holder of Fund units and each holder of special voting units named in that list will be entitled to vote the units shown opposite the holder's name on the list.

To the knowledge of the Fund trustees, BCE is the only person or corporation beneficially owning, directly or indirectly, or exercising control or direction over voting securities carrying 10% or more of the voting rights attached to all voting units of the Fund. As of March 30, 2007, BCE owned, directly or indirectly 42.61% of the Fund on a fully diluted basis (in the form of exchangeable limited partnership units of Bell Aliant Regional Communications Holdings, Limited Partnership (“Bell Aliant Holdings LP”) and Bell Aliant LP) and 100,373,827 special voting units. Our trustees and the directors and senior officers of Bell Aliant Holdings GP and Bell Aliant GP, as a group, beneficially owned or controlled 150,401 units of the Fund as of March 30, 2007.

CIBC Mellon counts and tabulates the votes. It does this independently of the Fund to make sure that the votes of individual unitholders are confidential. CIBC Mellon refers proxy forms to management only when:

- it is clear that a unitholder wants to communicate with management;
- the validity of the form is in question; or
- the law requires it.

# About the Fund

## The Fund

The Fund is an unincorporated, open-ended trust governed by the laws of the Province of Ontario. The Fund currently qualifies as a “mutual fund trust” for the purposes of the Income Tax Act (Canada).

On July 7, 2006, an arrangement was concluded under which Aliant Inc.’s wireline telecommunications operation in Atlantic Canada, information technology operation and other related operations were combined with Bell Canada’s wireline telecommunications operation in certain of its regional territories in Ontario and Quebec and Bell Canada’s 63.4% indirect interest in Télébec, Limited Partnership and NorthernTel, Limited Partnership (the “Bell Nordiq Partnerships”) (the “Arrangement”).

On January 30, 2007, the Fund completed a going private transaction with Bell Nordiq Income Fund (“Bell Nordiq”) through which it acquired indirectly the balance of the interest in the Bell Nordiq Partnerships.

## BCE’s governance rights

In connection with the Arrangement, the Fund and Bell Aliant Holdings GP entered into a securityholders’ agreement (the “Securityholders’ Agreement”) with, among others, Bell Aliant GP, Bell Aliant Holdings LP, BCE, and Bell Canada. Under the terms of the Securityholders’ Agreement, the Fund and its operating entities must obtain BCE’s consent prior to entering into various transactions such as, among other things, certain mergers, joint ventures, asset sales and other material transactions. In addition, BCE and its affiliates have certain rights with respect to the appointment of directors of Bell Aliant Holdings GP and Bell Aliant GP and the nomination of the Fund trustees. BCE and its affiliates are entitled to appoint up to a majority of the directors of each of Bell Aliant Holdings GP and Bell Aliant GP and direct Bell Aliant Holdings GP with respect to the nomination of up to a majority of the Fund trustees for so long as BCE, directly or indirectly, holds not less than 30% of the units of the Fund on a fully diluted basis and the significant commercial agreements between Bell Canada and the Fund and its principal operating entities are in place. If such commercial agreements are terminated by any of the parties thereto in accordance with their terms or if BCE and its affiliates, directly or indirectly, hold less than 30% of the Fund units on a fully diluted basis, then BCE will be entitled to appoint its proportionate share of the directors of each of Bell Aliant Holdings GP and Bell Aliant GP and direct the nomination of its proportionate share of the Fund trustees (rounded up to the next whole number) based on its fully diluted direct and indirect ownership of Fund units. In any event, BCE will be entitled to nominate two directors to the board of Bell Aliant Holdings GP for as long as such commercial agreements are in place, irrespective of its ownership interest in the Fund (on a fully diluted basis) or its subsidiaries. BCE has complete discretion with respect to the exercise of these rights. BCE and its affiliates currently own 42.61% of the units of the Fund on a fully diluted basis (in the form of exchangeable limited partnership units of Bell Aliant Holdings LP and Bell Aliant LP), and special voting units of the Fund representing 42.61% of the aggregate number of Fund units and special voting units, taken together.

## Management contracts

### Administration agreement

In connection with the Arrangement, the Fund, Bell Aliant Holdings Trust (the “Trust”), Bell Aliant Holdings GP, Bell Aliant Holdings LP and Bell Aliant LP entered into an administration agreement (the “Administration Agreement”). Under the terms of the Administration Agreement, Bell Aliant LP provides administrative and support services to the Fund, including, without limitation, those necessary to:

- (a) seek to ensure compliance by the Fund with continuous disclosure obligations under applicable securities legislation;
- (b) provide investor relations services;
- (c) provide or cause to be provided to Voting Unitholders (as defined in the Administration Agreement) all information to which Voting Unitholders are entitled under the Fund Declaration of Trust and applicable laws, including relevant information with respect to financial reporting and income taxes;
- (d) prepare for and hold meetings of Voting Unitholders and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings;
- (e) assist the Fund trustees in calculating and making distributions to unitholders;
- (f) attend to all administrative and other matters arising in connection with any redemption of units;
- (g) seek to ensure compliance with the Fund’s limitations on non-resident ownership;
- (h) attend to all administrative and other matters arising in connection with the conversion, exercise or exchange of the Class 1 exchangeable limited partnership units of Bell Aliant Holdings LP (“Holdings Class 1 LP Units”) or the Class B exchangeable limited partnership units of Bell Aliant LP (“Bell Aliant Exchangeable LP Units”) or other exchangeable securities including the issuance and delivery of Fund units, units of the Trust and/or the unsecured, subordinated notes issued by the Trust in connection with such matters; and
- (i) generally, with respect to the Fund, provide all other services as may be necessary or as may be requested by the Fund trustees.

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

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

The address of Bell Aliant LP is 1505 Barrington Street Halifax, Nova Scotia B3J 2W3. During the year ended December 31, 2006, the management services provided by Bell Aliant LP to the Fund under the Administration Agreement cost the Fund a total of \$982,206. For additional information please refer to note 8 of the Fund's consolidated financial statements for the period ended December 31, 2006.

## What the meeting will cover

Three items will be covered at the Meeting:

- (1) receiving the consolidated financial statements of the Fund for the period ended December 31, 2006, together with the report of the auditors thereon;
- (2) electing the trustees of the Fund and approving the appointment of the directors of Bell Aliant Holdings GP that are to be appointed by the Fund for the ensuing year; and
- (3) appointing the Fund's auditors for the ensuing year.

The Meeting may also consider other business that properly comes before the Meeting or any adjournment. As of the date of this circular, the directors and officers of Bell Aliant Holdings GP are not aware of any matters, other than those indicated in this circular, which may be submitted to the Meeting for action. However, if any other matters should properly be brought before the Meeting, the proxy, to the extent permitted by law and subject to the voting instructions, confers discretionary authority to vote on such other matters according to the best judgment of the person holding the proxy at the Meeting.

### 1. Financial statements

The Fund's consolidated financial statements for the period ended December 31, 2006, and the auditors' report thereon will be submitted to the Meeting. The financial statements are included in our 2006 annual report, which you can access on Bell Aliant's website at [www.bell.aliant.ca](http://www.bell.aliant.ca).

### 2. Nominees for election as trustees of the Fund and appointment by the Fund as directors of Bell Aliant Holdings GP

You will be electing a total of five trustees of the Fund. The Fund's Declaration of Trust states that the Fund will have a minimum of three trustees and a maximum of 20 trustees with the number of trustees within this range to be set from time to time by resolution of the trustees, subject to the Securityholders' Agreement. The trustees have resolved that there will be five trustees. Trustees will be appointed by ordinary resolution at each annual meeting of unitholders to hold office for a term expiring at the close of the next annual meeting of unitholders (or until their successors have been appointed or they otherwise cease to hold office). The Securityholders' Agreement provides that the board of directors of Bell Aliant Holdings GP shall nominate the individuals to be proposed for appointment as trustees of the Fund. The directors of Bell Aliant Holdings GP propose the five nominees named in this circular.

You will also be approving the appointment of five directors to the board of Bell Aliant Holdings GP. Under the Securityholders' Agreement, the board of directors of Bell Aliant Holdings GP will be comprised of between 11 and 15 members, with the number of directors within such range to be as determined by the board from time to time. The board has resolved that there will be 11 directors, a majority (six) of whom will be appointed by BCE and five of whom will be approved by the Fund unitholders to be appointed by the Fund (as a shareholder of Bell Aliant Holdings GP). If appointed, they will hold office until the next annual meeting of unitholders (or their earlier resignation or removal pursuant to the Canada Business Corporations Act ("CBCA") and the corporation's by-laws).

All of the individuals nominated are currently trustees of the Fund and members of the board of Bell Aliant Holdings GP, as applicable, and are, in our opinion, qualified to direct the activities of the Fund and Bell Aliant Holdings GP, as the case may be, until the next annual meeting of unitholders. All nominees have indicated their willingness to stand for election and approval, as applicable.

Please see *About the nominated trustees and directors* for information on the people who intend to stand for election as trustees of the Fund ("Proposed trustee nominees") or who the Fund proposes to appoint as directors of Bell Aliant Holdings GP ("Proposed director nominees"). Unless otherwise directed, the proxies received will be voted in favour of the election or approval of appointment, as applicable, of the people nominated in this circular. In case any of the listed nominees should become unavailable prior to the Meeting, the proxyholder will have the right to use discretion in voting for a properly qualified substitute. The term of office of each trustee and director will be until the next annual meeting of unitholders or until such trustee's or director's successor is elected or appointed or they otherwise cease to hold office.

The Fund trustees and the Bell Aliant Holdings GP directors have adopted a policy with respect to the election of trustees and approval of appointment of directors. In keeping with this policy, we will ensure that the proxy forms used for the election of Fund trustees and approval of the appointment of Bell Aliant Holdings GP directors enable unitholders to vote in favour of, or to withhold their vote, separately for each trustee and director nominee. At any unitholders' meeting at which trustees or directors are to be elected or approved, as applicable, in an uncontested election, if any trustee or director nominee receives a greater number of votes "withheld" from his or her election or approval, as applicable, than votes "for", such nominee shall, no later than 10 days following the receipt of the audited and final scrutineer's report relating to such meeting, submit to the trustees or the board as appropriate his or her resignation letter, which shall take effect only upon the acceptance of such resignation by the trustees or the board.

The board or trustees, as appropriate, upon recommendation of the Bell Aliant Holdings GP governance committee (the "Governance Committee"), shall within 90 days following the public disclosure of the vote results, determine either to accept or not the trustee's or the directors' offer to resign, and the trustees or the board shall promptly disclose, via press release, the determination, including, in cases where the trustees or the board have determined not to accept a resignation, the reasons therefor. It is generally expected that the Governance Committee will recommend that the trustees or the board accept such resignation except in extraordinary circumstances. If a resignation is accepted, the trustees or the board as appropriate may appoint a new trustee or director to fill any vacancy, or may reduce the size of the trustees or the board.

### 3. Appointment of auditors

A firm of auditors is to be appointed by vote of a majority of the unitholders. The Fund, on the advice of its audit committee, recommends that Deloitte & Touche LLP, first appointed as the Fund's auditors upon the completion of the Arrangement creating the Fund, be appointed to serve as auditors of the Fund for the ensuing year. If appointed, Deloitte & Touche LLP will serve until the end of the next annual meeting of unitholders or until their earlier removal.

Unless otherwise directed, proxies will be voted in favour of appointing the firm of Deloitte & Touche LLP as the Fund's auditors.

#### Other business

Following the conclusion of the formal business to be conducted at the Meeting, we will:

- report on recent events that are significant to our business;
- report on other items that are of interest to our unitholders; and
- invite questions and comments from unitholders.

## About the nominated trustees and directors

As described in the section titled *BCE's governance rights*, BCE currently has the right to direct Bell Aliant Holdings GP with respect to the nomination of up to a majority of the Fund trustees. The balance of nominees for election as Fund trustees are selected by the board of Bell Aliant Holdings GP under the terms of the Securityholders' Agreement. BCE also has the right to appoint up to a majority of the directors of Bell Aliant Holdings GP. The remaining directors of Bell Aliant Holdings GP are appointed by the Fund as shareholder, under the terms of the Securityholders' Agreement and Declaration of Trust.

As a unitholder, you will be electing a total of five trustees of the Fund. Table 1 provides information on the people who intend to stand for election as trustees of the Fund – Lawson Hunter, Edward Reevey, Louis Tanguay, Charles White and Victor Young.



You will also be approving the appointment by the Fund of five directors to the board of Bell Aliant Holdings GP. If such approval is given, these individuals will be appointed to the board of directors of Bell Aliant Holdings GP following the Meeting. Table 2 provides information on the people who the Fund proposes to appoint as directors of Bell Aliant Holdings GP – Robert Dexter, Edward Reevey, Louis Tanguay, Stephen Wetmore and Charles White.

If elected or approved, as applicable, these individuals will serve for a term expiring on the earlier of the next annual meeting of unitholders or until such trustee's or director's successor is elected or appointed or they otherwise cease to hold office.



BCE has nominated six directors for appointment to the Bell Aliant Holdings GP board of directors – Kevin Crull, Lawson Hunter, Patrick Pichette, Michael Sabia, Karen Sheriff and Victor Young. Information on each of these nominees is provided in Table 3 below.

**TABLE 1 – NOMINEES FOR ELECTION AS FUND TRUSTEES**


Proposed director nominee	Biographical information	Status and committee membership <sup>1,2</sup>	Deferred units	Units <sup>6</sup>
 <p><b>Lawson Hunter</b></p> <ul style="list-style-type: none"> <li>• Residence: Ottawa, Ontario, Canada</li> <li>• Age: 62</li> <li>• Director since: 2004</li> <li>• Trustee since: 2006</li> </ul>	<p>Mr. Hunter is chair of the Bell Aliant Fund trustees and executive vice-president and chief corporate officer of BCE Inc. and Bell Canada. Previously a partner with the law firm Stikeman Elliott LLP, Mr. Hunter has extensive experience with competition and regulatory law in both the public and private sectors. He holds a Bachelor's degree in Law from the University of New Brunswick and a Master's degree in Law from Harvard University.</p> <p>Mr. Hunter is a director of the Information Technology Association of Canada, CanStage and the EDGE Network. He has also served as a director of the following publicly traded companies within the past five years: CGI Group Inc. and Aliant Inc.</p>	<p><i>Not independent</i></p> <p>Management resources and compensation committee</p> <p>Governance committee</p> <p>Defined benefit pension fund committee</p> <p>Defined contribution pension fund committee</p>	See note 4	710
 <p><b>Edward Reevey, FCA</b></p> <ul style="list-style-type: none"> <li>• Residence: Rothesay, New Brunswick, Canada</li> <li>• Age: 63</li> <li>• Director since: 1999</li> <li>• Trustee since: 2006</li> </ul>	<p>Mr. Reevey is chairman and chief executive officer of Eedda Capital Inc., a private holding company. He previously held positions with Addee Developments Ltd., Clarkson Gordon &amp; Co. and H.R. Doane &amp; Co., and was president of Autotec Inc. He holds a Bachelor's degree in Commerce from Dalhousie University and a Chartered Accountancy designation. He has been a Chartered Accountant Fellow since 1998.</p> <p>Mr. Reevey is a director of Stratos Global Corporation (a TSX listed company). He is also a director of The Greater Saint John Community Foundation and the Miramichi Salmon Association. In addition, he has served as a director of the following publicly traded companies within the past five years: Aliant Inc. Mr. Reevey has over 20 years of experience in the telecommunications sector, having served as a director of The New Brunswick Telephone Company, Limited from 1982 to 1999 and Bruncor Inc. from 1985 to 1999.</p>	<p><i>Independent</i></p> <p>Audit committee (chair)</p> <p>Defined benefit pension fund committee (chair)</p> <p>Defined contribution pension fund committee (chair)</p>	332 <sup>3</sup>	37,963
 <p><b>Louis Tanguay</b></p> <ul style="list-style-type: none"> <li>• Residence: Laval-sur-le-Lac, Quebec, Canada</li> <li>• Age: 69</li> <li>• Director since: 2006</li> <li>• Trustee since: 2006</li> </ul>	<p>Mr. Tanguay is a corporate director. He was president and chief executive officer of Bell Canada International Inc. from July 2000 to November 2001. He holds a Bachelor's degree in Commerce from Concordia University.</p> <p>Mr. Tanguay has served as a director of the following publicly traded companies in the past five years: Rona Inc. (retail), Saputo Inc. (food), SR Telecom Inc. (telecommunications), Medisys Health Group Inc. (health-care), Bell Nordiq Group Inc. (telecommunications), Canbras Communications Corp. (communications), and Bell Canada International Inc. (communications). He is also a director of Aéroports de Montréal. Mr. Tanguay has well over 15 years of experience in the telecommunications sector.</p>	<p><i>Independent</i></p> <p>Audit committee</p>	925 <sup>3</sup>	13,530




Proposed director nominee	Biographical information	Status and committee membership <sup>1,2</sup>	Deferred units	Units <sup>6</sup>
 <p><b>Charles White, QC</b></p> <ul style="list-style-type: none"> <li>• Residence: St. John's, Newfoundland and Labrador, Canada</li> <li>• Age: 60</li> <li>• Director since: 1999</li> <li>• Trustee since: 2006</li> </ul>	<p>Mr. White is vice-chair and lead independent director of the board of Bell Aliant and a lawyer with the law firm White, Ottenheimer &amp; Baker. His legal career in private practice spans over three decades. He holds a Bachelor's degree in Commerce from Memorial University of Newfoundland and a Bachelor's degree in Law from Dalhousie University and was appointed Queen's Counsel in 1984.</p> <p>Mr. White is chairman and a trustee of BMO Mutual Funds, deputy chairman and director of Unifund Assurance Company and The Johnson Corporation, and a director of Stratos Global Corporation (a TSX listed company).</p> <p>Mr. White is also chairman of the Law Society of Newfoundland's Scholarship Committee. In addition, he has served as a director of the following publicly traded companies within the past five years: Aliant Inc. Mr. White has over 15 years of experience in the telecommunications sector, having served as a director of NewTel Enterprises Limited from 1988 to 1999 (including his role as chair of the board from 1994 to 1999), prior to joining the Aliant board (including his role as chair of the board from 2001 to 2006), and later the Bell Aliant board.</p>	<p><i>Independent</i></p> <p>Audit committee</p> <p>Governance committee (chair)</p> <p>Management resources and compensation committee (chair)</p> <p>Defined benefit pension fund committee</p> <p>Defined contribution pension fund committee</p>	841 <sup>3</sup>	11,573
 <p><b>Victor Young, O.C.</b></p> <ul style="list-style-type: none"> <li>• Residence: St. John's, Newfoundland and Labrador, Canada</li> <li>• Age: 61</li> <li>• Director since: 2002</li> <li>• Trustee since: 2006</li> </ul>	<p>Mr. Young, corporate director, is past chairman and chief executive officer of Fishery Products International Ltd. He also served as Deputy Minister of the Treasury Board and special advisor to the Premier of Newfoundland and Labrador, and was chairman and chief executive officer of Newfoundland and Labrador Hydro. He holds a Bachelor's degree in Commerce from Memorial University of Newfoundland and a Master's degree in Business Administration from the University of Western Ontario. He is an Officer of the Order of Canada.</p> <p>Mr. Young is presently a director of the following public companies: Imperial Oil Limited (listed on the TSX and the American Stock Exchange), Royal Bank of Canada (listed on the TSX and New York Stock Exchange (NYSE)), and BCE Inc. (listed on the TSX and the NYSE). He is also a director of McCain Foods Limited and RBC Dexia Investor Services Trust. In addition, he has served as a director of the following publicly traded companies within the past five years: Aliant Inc. Mr. Young has nearly 12 years of experience in the telecommunications sector, having served as a director of BCE since 1995, Aliant since 2002 and later the Bell Aliant boards.</p>	<p><i>Independent</i> <sup>7</sup></p> <p>Governance committee</p> <p>Management resources and compensation committee</p>	925 <sup>3</sup>	5,500

**TABLE 2 – NOMINEES FOR APPOINTMENT BY THE FUND AS DIRECTORS OF BELL ALIANT HOLDINGS GP**

Proposed director nominee	Biographical information	Status and committee membership <sup>1,2</sup>	Deferred units	Units <sup>6</sup>
 <b>Robert Dexter, QC</b> <ul style="list-style-type: none"> <li>• Residence: Halifax, Nova Scotia, Canada</li> <li>• Age: 55</li> <li>• Director since: 1999</li> </ul>	<p>Mr. Dexter is chairman and chief executive officer of Maritime Travel Inc., the largest retail travel agency in Atlantic Canada. He is also a partner of the law firm Stewart McKelvey LLP. He holds both a Bachelor's degree in Commerce and a Bachelor's degree in Law from Dalhousie University and has been appointed Queen's Counsel.</p> <p>Mr. Dexter is also chairman of Empire Company Limited (TSX listed company engaged in food distribution, real estate development and corporate investment activities) and a director or trustee of several other entities listed on the TSX, including High Liner Foods Inc., Sobeys Inc. and Wajax Income Fund. In addition, he has served as a director of the following publicly traded companies within the past five years: Aliant Inc. Mr. Dexter has nearly 10 years of experience in the telecommunications sector, having served as a director of Maritime Tel &amp; Tel Limited from 1997 to 1999 prior to joining the Aliant and later the Bell Aliant boards.</p>	<p><i>Independent</i></p> <p>Governance committee</p> <p>Audit committee</p> <p>Management resources and compensation committee</p>	925 <sup>3</sup>	1,814
<b>Edward Reevey, FCA</b>	See Table 1 for detail.			
<b>Louis Tanguay</b>	See Table 1 for detail.			
 <b>Stephen Wetmore</b> <ul style="list-style-type: none"> <li>• Residence: Halifax, Nova Scotia and Mississauga, Ontario, Canada</li> <li>• Age: 54</li> <li>• Director since: 1999</li> </ul>	<p>Mr. Wetmore is president and chief executive officer of Bell Aliant. He joined Bell Aliant in 2006 after serving as executive vice-president of BCE Inc. and group president corporate performance and national markets for Bell Canada. Before joining Bell in 2002, Mr. Wetmore held several executive positions, including president and CEO of Aliant Inc., president and CEO of NewTel Enterprises Limited, president of Air Atlantic, and managing director with Scotia Holdings PLC in London, England. He holds a Bachelor's degree in Commerce from Acadia University and a Chartered Accountancy designation.</p> <p>Mr. Wetmore is a director of the following public companies listed on the TSX: Canadian Tire Corporation Limited, Axia Netmedia Corporation and Stratos Global Corporation. He is also a director of the CD Howe Institute and The Learning Partnership. In addition, he has served as a director of the following publicly traded companies within the past five years: Aliant Inc.</p>	<p><i>Not independent</i></p> <p>Not a committee member</p>	See note 5	28,155
<b>Charles White, QC</b>	See Table 1 for detail.			

**TABLE 3 – BCE APPOINTMENTS TO THE BOARD OF BELL ALIANT HOLDINGS GP**

Proposed director nominee	Biographical information	Status and committee membership <sup>1,2</sup>	Deferred units	Units <sup>6</sup>
 <b>Kevin Crull</b> <ul style="list-style-type: none"> <li>• Residence: Toronto, Ontario, Canada</li> <li>• Age: 42</li> <li>• Director since: 2006</li> </ul>	<p>Mr. Crull is president – residential services of Bell Canada (since September 2005). Mr. Crull was president – consumer solutions of Bell Canada from March 2005 to September 2005. Prior to 2005, Mr. Crull was senior vice-president and general manager of AT&amp;T Mobility. He was also senior vice-president of consumer and small business of AT&amp;T Inc. from 2001 to 2004. He holds a Master's degree in Business Administration from the University of San Francisco as well as a Bachelor's degree in Marketing from Ohio State University.</p>	<p><i>Not independent</i></p> <p>Not a committee member</p>	See note 4	220

Proposed director nominee	Biographical information	Status and committee membership <sup>1,2</sup>	Deferred units	Units <sup>6</sup>
Lawson Hunter	See Table 1 for detail.			
 <p><b>Patrick Pichette</b> <sup>*</sup></p> <ul style="list-style-type: none"> <li>• Residence: St-Lazare, Quebec, Canada</li> <li>• Age: 44</li> <li>• Director since: 2006</li> </ul>	<p>Mr. Pichette is president – operations of Bell Canada (since November 2004). From September 2002 to December 2003, he was chief financial officer of Bell Canada and in December 2003 he became executive vice-president of Bell Canada until his current occupation. Prior to 2001, Mr. Pichette was principal partner with McKinsey &amp; Company. He was also an executive with Teleglobe Inc. until May 2002. He holds a Bachelor's degree in Business Administration from the Université du Québec à Montréal and a Master's degree in Philosophy, Politics and Economics from Oxford University where he attended as a Rhodes Scholar.</p> <p>Mr. Pichette is a director of Alaska Communications Systems Inc., a NASDAQ-listed company. He is also a director of the Université du Québec à Montréal Foundation, The Trudeau Foundation, Engineers Without Borders and Montréal International.</p>	<p><i>Not independent</i></p> <p>Not a committee member</p>	See note 4	712
 <p><b>Michael Sabia</b> <sup>*</sup></p> <ul style="list-style-type: none"> <li>• Residence: Westmount, Quebec, Canada</li> <li>• Age: 53</li> <li>• Director since: 2006</li> </ul>	<p>Mr. Sabia is chair of the board of Bell Aliant and president and chief executive officer of BCE and chief executive officer of Bell Canada. In July of 2000, Mr. Sabia was named executive vice-president of BCE and vice-chairman, corporate, Bell Canada. He was appointed president of BCE in December 2000, president and chief operating officer of BCE and chief operating officer of Bell Canada in March 2002, and then president and chief executive officer of BCE in April 2002. He had joined the BCE group in October 1999 as vice-chairman and chief executive officer of Bell Canada International. He holds a Bachelor's degree in Arts (Economics and Politics) from the University of Toronto and a Master's degree in both Arts and Philosophy from Yale University.</p> <p>Mr. Sabia is a director of The Thomson Corporation, a TSX- and NYSE-listed company providing information solutions to businesses globally. He is also a director of Clearwire Corporation, a NASDAQ-listed company operating next-generation wireless broadband networks that enable fast and portable Internet communications in select markets across the United States and Europe. He is also a director of BCE, Bell Canada and several BCE-related entities. In the past five years, Mr. Sabia has also served as a director of Emergis Inc. (formerly BCE Emergis Inc.) and CGI Group Inc.</p>	<p><i>Not independent</i></p> <p>Not a committee member</p>	See note 4	6,829
 <p><b>Karen Sheriff</b></p> <ul style="list-style-type: none"> <li>• Residence: Toronto, Ontario, Canada</li> <li>• Age: 49</li> <li>• Director since: 2004</li> </ul>	<p>Ms. Sheriff is president, small and medium business, Bell Canada. She has previously held the positions of chief marketing officer and senior vice-president of product management &amp; development with Bell Canada. Prior to this she was responsible for corporate marketing and branding at Ameritech Inc. and held a variety of assignments with Ameritech and United Airlines. She holds a Bachelor's degree in Psychology, Economics and Mathematics from Washington University and a Master's degree in Business Administration from the University of Chicago.</p> <p>Ms. Sheriff is a director of Teknion, a TSX-listed company specialising in office systems. She is also a director of the Gardiner Museum of Ceramic Art.</p>	<p><i>Not independent</i></p> <p>Governance committee</p> <p>Management resources and compensation committee</p>	See note 4	726
Victor Young, O.C.	See Table 1 for detail.			

Notes:

- (1) Bell Aliant Holdings GP has an audit committee. Its members are Edward Reevey (chair), Robert Dexter, Louis Tanguay, and Charles White. Victor Young was a member of the audit committee until March 1, 2007. The audit committee of Bell Aliant Holdings GP also serves as audit committee to the Fund. In addition, Bell Aliant Holdings GP has four other standing committees of its board of directors. The committees are described in the section titled Statement of governance practices. Bell Aliant Holdings GP does not have an executive committee of its board of directors.
- (2) A summary of each nominee's attendance at trustee and board and committee meetings is set out under the Statement of governance practices section of this circular. An explanation of each nominee's status is set out in the same section.
- (3) A deferred unit plan for non-employee trustees and directors (the "Directors' DUP") has been established effective January 1, 2007, subject to receipt of a favourable tax ruling from Canada Revenue Agency. This column reflects deferred units as of March 30, 2007, subject to receipt of a favourable tax ruling from Canada Revenue Agency. A description of the Directors' DUP is contained in the Compensation of trustees and directors section of this circular.
- (4) Bell Aliant Holdings GP directors are required to own Fund units under the unit ownership guidelines. Please refer to Minimum ownership requirements in the section titled Statement of governance practices for further information. Bell Aliant Holdings GP directors who are employed by the Fund, its subsidiaries, BCE or Bell Canada do not receive compensation for their participation on the board of directors. In the case of directors employed by BCE or Bell Canada, compensation is paid to Bell Canada. Those directors are therefore not required to own Fund units and do not participate in the Directors' DUP.
- (5) Stephen Wetmore, being an employee of Bell Aliant LP, does not participate in the Directors' DUP. For further details on the ownership guidelines applicable to Stephen Wetmore, please refer to the section titled Report on executive compensation.
- (6) Fund units beneficially owned or over which control or direction was exercised as of March 30, 2007.
- (7) Victor Young is a member of Bell Aliant Holdings GP's board, governance and management resources and compensation committees and also sits on the board of directors of BCE, an affiliated entity. He is considered an independent director and was a member of the audit committee until March 1, 2007.
- (8) Was a director or executive officer of Teleglobe Inc. or certain of its affiliates on, or during the year preceding May 15, 2002, the date when Teleglobe Inc. and certain of its affiliates filed for court protection under insolvency statutes in various countries, including Canada and the United States.

## Report on executive compensation

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

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

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

### Composition and mandate of the committee

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

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

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

Additional information on the committee and its responsibilities including the committee's mandate can be found in the *Bell Aliant governance matters* section of this circular.

### Independent advice

To ensure that Bell Aliant provides competitive compensation to its executives, the committee reviews information from external compensation advisors and the compensation practices at other comparable organizations. In addition, the committee engages the services of an independent external consultant to provide advice and counsel on executive compensation matters. For details regarding services provided to Bell Aliant by compensation consultants during 2006 please refer to the *Statement of governance practices* section of this circular.

### Bell Aliant's compensation philosophy and direction

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

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

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

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

#### **Bell Aliant total compensation for 2006 (July to December)**

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

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

<b>Executive<sup>1</sup></b>	<b>Base salary</b>	<b>Short-term incentive compensation</b>	<b>Long-term incentive compensation</b>
Stephen Wetmore, chief executive officer	25 %	25 %	50 %
Frank Fagan, chief operating officer	31 %	23 %	46 %
Glen LeBlanc, chief financial officer	34 %	24 %	42 %
David Rathbun, chief talent officer	39 %	23 %	38 %
Fred Crooks, chief legal officer	39 %	23 %	38 %

Note:

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

#### **Annual base salary**

Salaries are determined by evaluating the responsibilities of each executive's position as well as the executive's experience, knowledge and performance. Executive salaries are reviewed annually and adjusted, as appropriate, based on individual performance, capabilities, responsibilities and competitive market data.

#### **Short-term incentive compensation**

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

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

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

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

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

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

<b>Measure</b>	<b>Weight</b>	<b>Actual results</b>
Distributable cash	30 %	30.0 %
Revenue	20 %	25.0 %
Customer service index	30 %	33.3 %
Cost per customer	20 %	16.0 %
<b>Total</b>	<b>100 %</b>	<b>104.3 %</b>

#### **Long-term incentive compensation**

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

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

### Deferred unit plan ("DUP")

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

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

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

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

### Compensation at risk for 2006

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

Executive	Short-term incentive plan	Long-term incentive plan
	% of base salary	% of base salary
Stephen Wetmore, chief executive officer	100%	200%
Frank Fagan, chief operating officer	75%	150%
Glen LeBlanc, chief financial officer	70%	125%
David Rathbun, chief talent officer	60%	100%
Fred Crooks, chief legal officer	60%	100%

### Ownership guidelines

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

#### Ownership' guidelines

Executive	Unit ownership <sup>2</sup>
Stephen Wetmore, chief executive officer	4 x base salary
Frank Fagan, chief operating officer	3 x base salary
Glen LeBlanc, chief financial officer	3 x base salary
David Rathbun, chief talent officer	3 x base salary
Fred Crooks, chief legal officer	3 x base salary

#### Notes:

- (1) Ownership is defined as ownership of Fund units and/or deferred units held in the DUP and PSUP (as defined in the Report on Aliant compensation programs section of this circular).
- (2) Guidelines are expected to be met within a period of five years from the date of appointment to the position.

### Chief executive officer compensation

Stephen Wetmore was appointed president and chief executive officer of Bell Aliant on July 7, 2006. The total compensation components for the chief executive officer include base salary, short-term incentive compensation and long-term incentive compensation. Significant emphasis is placed on compensation at risk. For 2006, the components were approximately 25% base salary, 25% short-term incentive compensation and 50% long-term incentive compensation.

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

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

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

The following table summarizes the compensation, including pension and other annual compensation, for the chief executive officer commencing upon his appointment to Bell Aliant.

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

Notes:

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

### Compensation for our other named executive officers

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

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

Notes:

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

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

Notes:

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

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

Notes:

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

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

Notes:

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

## REPORT ON ALIANT COMPENSATION PROGRAMS

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

### Composition and mandate of the Aliant committee

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

### Short-term incentive compensation

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

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

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

### Mid-term incentive plans

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

### Performance share unit plan ("PSUP")

The Aliant human resources and compensation committee granted Aliant share units to executives and selected senior leaders to align the mid-term incentive compensation payout with the total Aliant shareholder return under the PSUP. Each Aliant share unit represented the right to receive, for each vested share unit, one Aliant common share acquired in the secondary market or cash payment equal to the fair market value, subject to adjustment as indicated below depending on the achievement of performance criteria.

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

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

### Personal performance share unit plan ("PPSUP")

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

### Performance share unit awards

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

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

#### Notes:

- (1) Share units are subject to both time-based and performance-based vesting. The number of share units (or the equivalent in cash) to which an executive officer may be entitled at the time of vesting can range from zero to twice the original number of share units in the grant, depending upon actual performance against the predetermined performance conditions. See the section titled Performance share unit plan under Report on Aliant compensation programs.
- (2) Amounts represent number of share units earned through the reinvestment of dividends and distributions from the time of grant until the time of vesting. Dividends were credited to participants' accounts up until the completion of the Arrangement. As of July 7, 2006, participants' earned additional share units through the reinvestment of distributions.
- (3) Share units from the 2004 grant and the 2005 PPSUP grant, which were scheduled to vest on November 30, 2006, were terminated in accordance with that plan on July 5, 2006. The amount represents the payout from both grants.

### Long-term incentive plans

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

#### Stock option plan

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

### Former chief executive officer of Aliant

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

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

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

Jay Forbes	2006
Chief executive officer and president, Aliant	\$
Severance pay	
Base pay (30 months)	1,475,000
Short-term incentive plan (30 months)	1,475,000
Pension contributions	442,500
Other	204,744
<b>Total</b>	<b>3,597,244</b>

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

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

Report presented by the management resources and compensation committee:

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

## OTHER COMPENSATION INFORMATION

### Compensation of officers table

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

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

#### Notes:

- (1) Stephen Wetmore was appointed president and chief executive officer of Bell Aliant on July 7, 2006. Prior to that date, Mr. Wetmore held several positions with BCE and Bell Canada. Most recently, he was executive vice-president of BCE and group president – corporate performance and national markets of BCE and Bell Canada. Compensation amounts for Mr. Wetmore were based on earnings from July 7, 2006, to December 31, 2006.  
 Frank Fagan was appointed chief operating officer of Bell Aliant on July 7, 2006, prior to which he was executive vice-president and chief operating officer of Aliant from October 2002.  
 Glen LeBlanc was appointed chief financial officer of Bell Aliant on July 7, 2006, prior to which he was senior vice-president and chief financial officer of Aliant from September 2005, prior to which he was vice-president finance and controller.  
 David Rathbun was appointed chief talent officer of Bell Aliant on July 7, 2006, prior to which he was senior vice-president corporate and chief human resources officer of Aliant from July 2002.  
 Fred Crooks was appointed chief legal officer of Bell Aliant effective July 7, 2006, prior to which he was senior vice-president, general counsel and corporate secretary of Aliant from October 20, 2003.
- (2) All short-term incentive compensation shown is in respect of the results for the year earned.

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

### Termination of employment, change in responsibilities and employment contracts

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

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

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

### Long-term incentive compensation – awards in most recently completed financial year

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

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

Note:

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

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

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

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

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

### Securities authorized for issuance under equity compensation plans

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

Plan category	Number of securities to be issued upon vesting of units	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	1,700,000 <sup>1</sup>	3,779,527 <sup>2</sup>

Notes:

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

## SHARE/UNIT PERFORMANCE

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

### Cumulative total return<sup>1</sup>

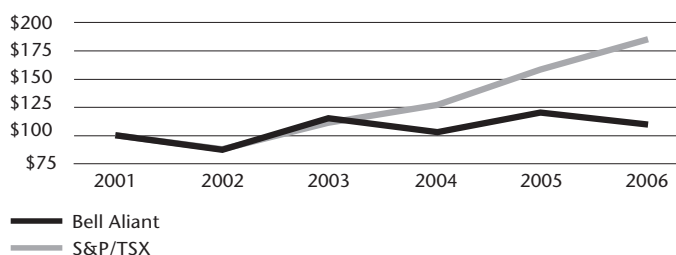
	2001	2002	2003	2004	2005	2006	Return <sup>2</sup>
Aliant / Fund	100	87	115	103	120	110	1.9%
S&P/TSX composite index	100	88	111	127	158	185	13.1%

Notes:

- (1) The cumulative total returns for 2001 to 2005 are for Aliant and the 2006 result includes Aliant and Bell Aliant combined.  
 (2) 5-year compounded annual growth rate.

### Performance graph

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



## RETIREMENT PLANS

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

The amounts disclosed below are the approximate values of retirement plan obligations accrued as of December 31, 2006, the costs incurred during 2006, and the amounts payable upon retirement of the named executive officers. These amounts are all based on assumptions and contractual entitlements, which may change over time. The major assumptions used in making these estimates are consistent with those used to value all of Bell Aliant's post-employment benefit obligations and are disclosed in note 7 of Bell Aliant Holdings LP's consolidated financial statements for the year ended December 31, 2006.

### Stephen Wetmore

Stephen Wetmore participates in the defined benefit provision of the Bell Aliant pension plan (Ontario and Quebec), and a supplementary retirement plan. The plans provide an annual pension per credited year of service of 1.0% of his best 36 consecutive months' average pensionable earnings up to the maximum pensionable earnings and 1.7% of his best 36 consecutive months' average pensionable earnings over the maximum pensionable earnings, to a maximum of 70% of such earnings. Maximum pensionable earnings means the maximum pensionable earnings under the Canada Pension Plan for the year in which the plan member retires. Pensionable earnings include salary and short-term incentive payments up to target, but do not include long-term incentive or units reported in the summary compensation table. The supplementary plan provides for an additional half-year service for each year of service as a senior officer and at December 31, 2006, Mr. Wetmore had 11.3 credited years of service. The supplementary plan provides a survivor pension equal to 66.67% of Mr. Wetmore's pension benefit. Mr. Wetmore's retirement arrangement provides for a benefit at age 55 that is at least equal to 25% of his best 36 consecutive months' average pensionable earnings, plus an additional 3% per year of pensionable employment after age 55 to a maximum of 55% at age 65. At retirement, the supplemental plan provides for a lump-sum payment equal to Mr. Wetmore's annual basic pay immediately prior to retirement. The estimated annual benefit for Mr. Wetmore at earliest retirement age is \$367,700. The total amount accrued under the registered pension plan and the supplementary pension plan as of December 31, 2006, related to Mr. Wetmore is approximately \$5,951,000. The total cost of retirement plans attributable to Mr. Wetmore's 2006 service is approximately \$748,200.

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

*Pension plan table (in dollars)*

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

### **Jay Forbes**

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

### **Frank Fagan**

Frank Fagan participates in the Bell Aliant defined benefit pension plan and the supplementary executive retirement plan. Collectively, the plans provide an annual pension per credited year of service of 1.5% of his best average 36 consecutive months of pensionable earnings, to a maximum of 70% of such earnings. Pensionable earnings include salary, short-term incentives and other benefits received by Mr. Fagan, but do not include long-term incentive or units reported in the summary compensation table. At age 65, the pension benefit is reduced to reflect benefits payable from the Canada Pension Plan. The plan provides for an additional half-year service for each year of service as a senior officer. At December 31, 2006, Mr. Fagan had 58.5 credited years of service. Mr. Fagan has reached the highest pension percentage and will receive a pension equal to 70% of the best average 36 consecutive months of pensionable earnings. The plans provide a survivor pension equal to 66.67% of Mr. Fagan's pension benefit. At retirement, the supplemental plan provides for a lump-sum payment equal to 12 months of compensation. The total amount accrued under the registered pension plan and the supplementary pension plan as of December 31, 2006, related to Mr. Fagan is approximately \$8,598,000. The total cost of retirement plans attributable to Mr. Fagan's 2006 service was zero as he has reached the highest pension percentage.

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

*Pension plan table (in dollars)*

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

### **Glen LeBlanc**

Glen LeBlanc participates in the Bell Aliant defined benefit pension plan, a defined benefit registered pension plan, and a supplementary executive retirement plan. The plans provide an annual pension of 1.5% of his best 60 consecutive months' average pensionable earnings for each credited year of service before 2005, plus 1.7% of his best 36 consecutive months' average pensionable earnings for each credited year of service in or after 2005. Pensionable earnings include salary and short-term incentive payments but do not include recognition bonus, long-term incentive or units reported in the summary compensation table. At age 65, the pension benefit for service before 2005 is reduced to reflect benefits from the Canada Pension Plan. At December 31, 2006, Mr. LeBlanc had 11.28 credited years of service before 2005 and 2.0 credited years of service from January 1, 2005. The supplementary plan provides a survivor pension equal to 66.67% of Mr. LeBlanc's pension benefit. The total amount accrued for Mr. LeBlanc under the plans as of December 31, 2006, was approximately \$1,359,000. The total cost of the plans attributable to Mr. LeBlanc's 2006 service is approximately \$124,000.

The following table illustrates the estimated annual pension benefits payable to Mr. LeBlanc at retirement from the supplementary defined benefit pension plan, based on specified compensation levels and credited years of service:

*Pension plan table (in dollars)*

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

### David Rathbun

David Rathbun participates in the Bell Aliant Regional Communications, Limited Partnership defined contribution pension plan and a supplementary executive pension plan. The registered defined contribution pension plan, as it applies to Mr. Rathbun, is a plan under which he contributes 2% of pensionable earnings and Bell Aliant contributes 6%. The combined contributions are made to the registered pension plan up to the income tax limit (\$19,000 in 2006) and to a notional account for contributions above that limit.

Mr. Rathbun also participates in a supplementary defined benefit pension plan that provides an annual pension of 1.5% of his best 36 consecutive months' average pensionable earnings for each year of credited service (to a maximum of 75% of such earnings). Pensionable earnings include salary, short-term incentive payments and perquisites received by the named executive officer but do not include long-term incentive or units reported in the summary compensation table. At age 65, the pension benefit is reduced to reflect benefits from the Canada Pension Plan. At December 31, 2006, Mr. Rathbun had 9.1 credited years of service. The plan provides a survivor pension equal to 66.67% of the executive's pension benefit. The amount accrued under the supplementary pension plan and notional accounts as of December 31, 2006, related to Mr. Rathbun is approximately \$1,108,280. The total cost of retirement plan contributions attributable to Mr. Rathbun's 2006 service was approximately \$155,400, including notional investment income.

The following table illustrates the estimated annual pension benefits payable to Mr. Rathbun at retirement from the supplementary defined benefit pension plan, based on specified compensation levels and credited years of service:

*Pension plan table (in dollars)*

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

Mr. Rathbun is also entitled to a pension enhancement resulting from a 2001 retention bonus. This bonus was used to ensure continuity of leadership following the merger of Aliant's predecessor corporations and named executives were entitled to compensation if they remained with Aliant until June 1, 2001. Prior to becoming eligible for the bonus, Mr. Rathbun elected to take the balance of the retention bonus as a pension enhancement. The total amount accrued with interest for Mr. Rathbun as of December 31, 2006, was \$277,000 and the estimated annual benefit payable at normal retirement (age 60) is \$28,000.

### Fred Crooks

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

## Statement of governance practices

### INTRODUCTION

The Fund and its principal operating entities (in this *Statement of governance practices* section collectively referred to as "Bell Aliant") are committed to excellence in governance. Management believes it has laid the right foundation by systematically promoting a values-based culture across Bell Aliant. Bell Aliant maintains a formal governance framework, which clearly defines the roles and accountability of the Fund trustees, the Bell Aliant Holdings GP board of directors, the board committees and management. Bell Aliant embraces emerging governance standards and continues to refine its governance framework to reflect current best practices and evolving regulatory and legislative requirements. Management believes that governance excellence is a social responsibility as well as an essential tool in building long-term unitholder value.

The following describes Bell Aliant's governance practices with reference to the governance disclosure required of issuers (including income trusts) under National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101"), including additional voluntary disclosure where appropriate to provide greater insight into adopted practices, as suggested in the TSX Guide to Good Disclosure for NI 58-101, and guidance on governance practices contained in National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201").

NP 58-201 indicates that income trust issuers, in applying the governance guidelines prescribed in that policy, should recognize that certain functions of a corporate issuer, its board and management, may be performed by the board or management of a subsidiary of the trust, or by a management company. Therefore, the disclosure of governance practices by income trust issuers should

include those functions and activities provided to the income trust through subsidiary or management companies. In the case of the Fund, many of its governance functions are carried out through the Bell Aliant Holdings GP board of directors. Therefore, this Statement of governance practices makes reference to functions and activities carried out both by the Fund trustees and the Bell Aliant Holdings GP board of directors.

When NP 58-201 was published in June 2005, the Canadian Securities Administrators noted that some parties had expressed concerns about how NP 58-201 and NI 58-101 affect controlled companies, and indicated that they intended to carefully consider the issue in the context of a study of the governance of controlled companies. The Administrators indicated that after completing the study, they would consider whether to change how NP 58-201 and NI 58-101 treat controlled companies. To date the Administrators have not issued any formal guidance regarding the governance of controlled companies.

## **GOVERNANCE DISCLOSURE**

### **Board of directors**

#### ***“Independent” and “non-independent” directors***

For the purposes of NI 58-101, a director is independent if he or she has no direct or indirect material relationship with the issuer. A “material relationship” means a relationship which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a director’s independent judgment. The Canadian securities regulators have stipulated certain relationships which are deemed to affect independence.

The Bell Aliant Holdings GP board is responsible for determining whether a director is “independent” for the purposes of NI 58-101 and Multilateral Instrument 52-110 – *Audit Committees* (“MI 52-110”), on the advice of the governance committee. In making this determination, the board and committee assess whether a director has any material relationship with the Fund or any of its affiliates which could reasonably interfere with the exercise of independent judgment. To assist with this determination, information is obtained from directors as to their particular circumstances and relationships, including through an annual questionnaire completed by directors.

Based on information provided to the Bell Aliant Holdings GP board by individual directors, the board has concluded that of the directors proposed to be approved on May 16, 2007, Robert Dexter, Edward Reevey, Louis Tanguay, Charles White and Victor Young are independent within the meaning of NI 58-101. The board has also determined that (i) Stephen Wetmore, the chief executive officer of Bell Aliant LP, (ii) Michael Sabia, the chief executive officer of BCE, and (iii) Karen Sheriff, (iv) Lawson Hunter, (v) Kevin Crull and (vi) Patrick Pichette, all of whom are executive officers of BCE and or Bell Canada, are not independent within the meaning of NI 58-101. Therefore, the board is currently composed of 11 directors, five of whom are independent. Expressed as a percentage, forty-five per cent (45%) of the directors are independent. A majority of the members of each board committee are independent.

#### ***Other directorships***

Where any director proposed to be approved on May 16, 2007, is presently a director of any other reporting issuer (or the equivalent), this information is provided in the *About the nominated directors and trustees* section of this circular. In terms of interlocking directorships, Stephen Wetmore, Edward Reevey and Charles White are all members of the board of Stratos Global Corporation.

#### ***Governance manual***

Upon the creation of Bell Aliant, the Bell Aliant Holdings GP board adopted a governance manual (the “governance manual”) which it reviews and updates annually (or additionally as appropriate). The governance manual documents the governance principles and practices of the board and provides directors and trustees with information and guidance on their fiduciary and functional responsibilities. The governance manual is available in the governance section of Bell Aliant’s website at [www.bell.aliant.ca](http://www.bell.aliant.ca).

#### ***Chair of the board of Bell Aliant Holdings GP***

The governance manual provides that the chair of the board is a non-executive position, and that the positions of chair and chief executive officer of Bell Aliant are to be separate. The governance manual also provides that if the chair of the board is not independent, then a lead director and vice-chair shall be appointed from among the independent directors. Michael Sabia, a non-independent director, serves as chair of the board. Charles White, an independent director, serves as lead director and vice-chair. Mr. White served as chair of the Aliant board from 1999 to July 2006, and served in the same capacity for NewTel Enterprises Limited from 1994 to 1999. A summary of the chair’s and lead director’s roles and responsibilities as set out in the governance manual is included in the *Bell Aliant governance matters* section of this circular.

#### ***Independence of the board of Bell Aliant Holdings GP***

The chair’s and vice-chair’s responsibilities specifically include ensuring the board can function independently of management. When appropriate, to ensure independence from management, the CEO is requested to withdraw from meetings of the board and similarly to withdraw from meetings of board committees. Directors also meet without management at each meeting of the board and certain committee meetings.

In his role as the non-executive and independent vice-chair, Charles White focuses much of his energy and resources on ensuring open and candid discussion among the board’s independent directors as well as between independent and non-independent directors. To enhance board effectiveness, the governance manual provides that the lead director and vice-chair shall ensure the independent directors have an opportunity to meet without management and non-independent directors at each regularly scheduled board meeting. In addition, the independent directors will meet at least annually for an extended meeting to provide greater opportunity for independent directors to explore issues of interest. Since the creation of Bell Aliant in July 2006, the independent directors have met four times.

### Relationship with BCE Inc. and Bell Canada

In connection with the Arrangement, Bell Aliant entered into several agreements in July 2006 with, among others, BCE and Bell Canada, including the Securityholders' Agreement, as described in the section of this circular titled *About the Fund – BCE's governance rights*, which provide Bell Canada/BCE with certain governance rights.

Bell Aliant and Bell Canada also entered into a series of long-term commercial agreements in connection with the Arrangement, which provide Bell Aliant with a broad range of technical, operational and human resources support services.

### Director responsibilities

The mandate of Bell Aliant Holdings GP's board of directors is set out in the governance manual. The manual provides a number of guidelines which directors are urged to keep in mind in the exercise of their individual responsibilities, including the requirement to read mail-out materials, maintain a good attendance record and acquire adequate information for decision-making. The following tables show the attendance record for each director of Aliant from January 1, 2006, to July 6, 2006, and Bell Aliant GP<sup>1</sup> from July 7, 2006, to July 27, 2006, and for each trustee of the Fund and each director of Bell Aliant Holdings GP for all trustee, board and committee meetings held since July 7, 2006.

### Attendance by the Aliant and Bell Aliant GP directors January 2006 to July 2006<sup>1</sup>

Director	Bell Aliant GP <sup>1</sup>				Aliant Inc.				
	Board	Audit	Board	Audit	Corporate governance	Human resources and compensation	Defined benefit pension	Defined contribution pension	Independent <sup>2</sup>
Miller Ayre	1/1	—	5/5	—	2/2	2/2	—	—	11/11
Charles Caty	1/1	—	5/5	—	—	2/2	—	—	11/11
Robert Dexter	1/1	1/1	5/5	3/3	—	—	—	—	11/11
Jay Forbes	1/1	—	5/5	—	—	—	—	—	—
Lawson Hunter	1/1	—	5/5	—	—	—	—	—	—
Terry Mosey	1/1	—	4/5	—	—	—	3/3	1/1	—
Edward Reevey	1/1	1/1	5/5	3/3	—	—	3/3	1/1	11/11
Karen Sheriff	1/1	—	5/5	—	2/2	—	—	—	—
Catherine Tait	1/1	1/1	4/5	3/3	2/2	—	—	—	11/11
Stephen Wetmore	1/1	—	4/5	—	—	1/2	—	—	—
Charles White	1/1	see note 3	5/5	see note 3	see note 3	see note 3	see note 3	see note 3	see note 3
Victor Young	1/1	—	5/5	—	2/2	—	—	—	—

#### Notes:

- (1) The Bell Aliant GP board comprised the same members as the Aliant board until July 27, 2006, for the purposes of approving Aliant's second quarter disclosures, after which the composition of the Bell Aliant GP board was changed to align with the current Bell Aliant Holdings GP board. This table includes attendance at meetings of the Bell Aliant GP board and audit committee held on July 27, 2006.
- (2) The Aliant independent committee was not a standing committee of the board. The independent committee was appointed by the Aliant board in December 2005 to consider the Arrangement that resulted in the creation of Bell Aliant and to make a recommendation to the board.
- (3) As chair of the Aliant board, Charles White attended all regularly scheduled standing committee meetings except in circumstances where two committee meetings were scheduled concurrently.

### Attendance by the Fund trustees and the Bell Aliant Holdings GP directors July 2006 to March 2007<sup>1</sup>

Director	Fund				Bell Aliant Holdings GP			
	Board of trustees	Board	Audit	Governance	Management resources and compensation	Defined benefit pension	Defined contribution pension	
Kevin Crull	—	11/12	—	—	—	—	—	
Robert Dexter	—	9/12	7/8	4/5	4/5	—	—	
Lawson Hunter <sup>2</sup>	9/9	12/12	—	5/5	5/5	1/1	1/1	
Patrick Pichette	—	11/12	—	—	—	—	—	
Edward Reevey <sup>2</sup>	9/9	12/12	8/8	—	—	1/1	1/1	
Michael Sabia	—	12/12	—	—	—	—	—	
Karen Sheriff	—	11/12	—	5/5	5/5	—	—	
Louis Tanguay <sup>2</sup>	8/9	11/12	8/8	—	—	—	—	
Stephen Wetmore	—	12/12	—	—	—	—	—	
Charles White <sup>2</sup>	9/9	12/12	7/8	5/5	5/5	1/1	1/1	
Victor Young <sup>2</sup>	9/9	12/12	7/8	5/5	5/5	—	—	

#### Notes:

- (1) This table includes attendance at pre-meetings of the proposed Bell Aliant Holdings GP board and committees held on June 21, 2006, for purposes of reviewing key governance and operational materials in advance of the creation of Bell Aliant on July 7, 2006.
- (2) Lawson Hunter, Edward Reevey, Louis Tanguay, Charles White and Victor Young are trustees of the Fund.

## **Board mandate**

### ***Board and committee mandates***

The governance manual contains a detailed written mandate for the board, which sets out the board's responsibility for the stewardship of the organization, including oversight of the operation of the business and supervision of management. A copy of the written mandate of the board of directors as contained in the governance manual is included in the *Bell Aliant governance matters* section of this circular. This section also contains written mandates for the governance, management resources and compensation, defined contribution pension fund and defined benefit pension fund committees, which outline the responsibilities the board has assigned to each standing committee. The audit committee mandate is available in the governance section of Bell Aliant's website at [www.bell.aliant.ca](http://www.bell.aliant.ca) and is attached as Schedule 2 of Bell Aliant Holdings LP's 2006 annual information form dated March 20, 2007, which can be found at [www.sedar.com](http://www.sedar.com). The governance committee is responsible for reviewing the board's mandate, as well as the terms of reference for the committees, the chair, vice-chair and lead director and the chief executive officer, on an annual basis.

### ***Strategic planning process***

Management is required to submit annually to the board a long-term strategic plan as well as an annual business and financial plan setting out the opportunities and risks associated with the business. The board holds a strategic planning session annually each fall to review and discuss this plan with management, which takes into account, among other things, the opportunities and risks of the business. The plan is adjusted and improved over the course of discussions spanning several weeks and generally approved by the board each November, along with the ensuing budget for the coming fiscal year. Once approved, the board monitors performance against the strategic plan and budget at each board meeting. The overall strategic direction is described in Bell Aliant Holdings LP's management discussion and analysis, which can be found at [www.sedar.com](http://www.sedar.com).

### ***Principal risks***

The board has responsibility under the governance manual for ensuring implementation of the appropriate systems to identify and manage the principal risks of the business. Bell Aliant has adopted an enterprise risk management program to ensure risks are identified and mitigation strategies adopted. Risks are identified taking into consideration economic and competitive factors, technological developments and the regulatory regime. The principal risks are described in Bell Aliant Holdings LP's management discussion and analysis and annual information form. The audit committee has responsibility for reviewing and monitoring the risk assessment systems and internal controls in major accounting and financial reporting systems, and for overseeing the enterprise risk management program.

### ***Succession planning***

The board is explicitly responsible under the governance manual for the appointment, remuneration, performance evaluation and replacement of the chief executive officer and senior officers upon the recommendation of the management resources and compensation committee, and advice of the chief executive officer with respect to the senior officers, and in the case of appointment or replacement of the chief executive officer, subject to the consent of BCE as required under the Securityholders' Agreement. The board is also responsible for ensuring that plans have been made for management succession. The management resources and compensation committee reviews management's executive succession plans annually or as appropriate and brings them forward for the board's consideration. The succession plan includes specific development plans for potential successors. This committee also reviews, on an annual basis or as needed, any proposed or required organizational changes.

### ***Communication policy***

The board's written mandate includes responsibility for ensuring that material information, including that relating to the financial performance of Bell Aliant, is fairly and adequately disclosed to unitholders, other security holders and regulators on a timely and regular basis. The board and trustees have adopted a disclosure policy to ensure that communications with the public are timely, factual, accurate, complete, and broadly disseminated in accordance with securities laws. The audit and governance committees review the policy periodically.

The board and trustees have established a disclosure and compliance committee responsible for oversight of all public disclosure. The committee is responsible to the board of trustees for, among other things, implementing, administering and monitoring the effectiveness of the disclosure policy; assessing the materiality of information and developments; reviewing all disclosure documents; supervising the design, establishment and maintenance of disclosure controls and procedures and internal controls over financial reporting; and monitoring the integrity and effectiveness of Bell Aliant's disclosure controls and procedures and internal controls over financial reporting. The disclosure and compliance committee reviews all major public announcements and makes recommendations to the board and board committees. The board's audit committee is responsible for the review of all financial statements, management discussion and analysis and earnings press releases of the Fund and Bell Aliant Holdings LP which require the approval of the board and/or Fund trustees, and for ensuring adequate procedures are in place for the review of Bell Aliant's disclosure of financial information.

The board also establishes measures for receiving feedback from unitholders. In addition to our annual unitholder meeting, Bell Aliant has also established an investor relations service to receive and respond to investor comments and inquiries. In addition, Bell Aliant holds regular meetings with the investment community and the media to explain results and answer questions.

### ***Internal controls***

The board's written mandate includes responsibility for ensuring the integrity of Bell Aliant's internal control and management information systems. As outlined above, the disclosure and compliance committee is responsible to the board for, among other things, supervising the design, establishment and maintenance of, and monitoring the integrity and effectiveness of, Bell Aliant's disclosure controls and procedures and internal controls over financial reporting. The committee is responsible for evaluating on

a quarterly basis the effectiveness of the disclosure controls and procedures, and starting at the end of 2007, on an annual basis the effectiveness of the internal controls over financial reporting.

#### ***Approach to governance***

The governance committee is explicitly charged, among other things, with the responsibility to review governance issues and to make recommendations to the board in relation to governance best practices, as it deems appropriate, to enhance Bell Aliant's performance. This committee is responsible for the regular review of changes in the governance regulatory area and for Bell Aliant's annual statement of governance practices. The committee's terms of reference are included in the *Bell Aliant governance matters* section of this circular. As outlined above, the board has adopted a governance manual which documents the governance principles and practices of the board.

#### ***Stakeholder feedback***

Bell Aliant has established an investor relations service, administered by CIBC Mellon Trust Company, to receive and respond to unitholder or investor inquiries. The board of directors and senior management encourage inquiries from unitholders, which are dealt with promptly. Bell Aliant has also established a toll free phone number for ease of contacting our investor relations group.

#### **Position**

##### ***Position descriptions***

Position descriptions have been prepared for the chair and vice-chair of the board, committee chairs, the chief executive officer and the directors, and are contained in the governance manual. These position descriptions are included in the *Bell Aliant governance matters* section of this circular. The position descriptions are reviewed annually by the governance committee as part of its review of the governance manual, and approved by the board.

##### ***Authorizations policy***

In addition, the board has approved an authorizations policy which governs approval of transactions, delegation of authority and execution of agreements. Under this policy, certain actions are reserved for review and approval by the board.

##### ***CEO performance assessment***

The management resources and compensation committee, together with the board, review and approve objectives for the president and chief executive officer on a regular basis. This committee and the board conduct annual assessments of the chief executive officer's performance against these objectives.

#### **Orientation and continuing education**

##### ***Director orientation***

The governance committee is responsible for reviewing, monitoring and making recommendations regarding new director orientation. Bell Aliant has a formal orientation program in place, which is supplemented by written materials in the form of a comprehensive orientation manual. The orientation manual includes, among other things, the governance manual, which explains in detail the role of the board, its committees and its directors and trustees. The orientation manual also includes copies of Bell Aliant's organizational documents as well as information on directors' and trustees' statutory and common law duties and performance standards, internal governance policies, conflict of interest, confidential information, unitholder rights and meetings, and copies of Bell Aliant's most recent continuous disclosure documents.

The orientation of directors seeks to educate new directors on the nature of Bell Aliant's operations, the telecommunications industry generally, as well as governance fundamentals. The orientation program includes visits to Bell Aliant offices in various locations, contact with senior leaders, site visits of customer facilities as appropriate to the needs, interests and experience of the director, briefings related to social, economic and political characteristics and trends, as well as briefings on governance trends in Bell Aliant's operating territories. Bell Aliant adapts its core orientation agenda to the specific experience, needs and interests of individual directors.

##### ***Ongoing education***

Bell Aliant holds periodic educational sessions for directors at which one or more aspects of the business are discussed in detail. The subject matter for these sessions is determined based on interests and needs identified by directors and through discussion with the board chair or vice-chair. The governance committee is also mandated to review and make recommendations regarding ongoing development of directors.

#### **Ethical business conduct**

##### ***Code of business conduct and ethics***

The board has adopted a code of ethical behaviour entitled "*Living Our Corporate Values, Our Code of Business Conduct and Ethics*" (the "Code"). This document sets out a detailed code of ethical business conduct which is to be followed by all employees, officers and directors and trustees of the Fund.

The Code is accessible at Bell Aliant's website [www.bell.aliant.ca](http://www.bell.aliant.ca) by following the links: i) About Us; ii) Governance; and iii) Code of business conduct and ethics. The Code is also available to all employees on Bell Aliant's intranet site, Connexion. New directors are provided with a copy of the Code in their orientation manuals.

The governance and audit committees monitor compliance with this Code, and the audit committee receives regular reports from the internal audit group regarding complaints or enquiries received under Bell Aliant's anonymous reporting procedures, or

otherwise, regarding issues of an ethical nature. Bell Aliant expects all employees, officers and directors to strictly comply with the Code. Under NP 58-201, the Canadian securities regulators consider that conduct by a director or executive officer which constitutes a material departure from the Code would likely constitute a “material change” within the meaning of National Instrument 51-102 – *Continuous Disclosure Obligations*. Therefore, if a waiver was ever granted to an executive officer or director with respect to a material departure from the Code, which is not currently provided for in the Code or the governance manual, it would likely be required to be disclosed through the filing of a material change report in accordance with Bell Aliant’s disclosure policy. To date no such waiver has ever been requested or granted.

#### ***Conflict of interest policy***

The governance manual includes a conflict of interest policy which applies to all directors. Among other things, this policy addresses each director’s responsibility to avoid conflicts of interest, and provides examples of conduct that may constitute a conflict of interest. The policy requires directors to declare any conflict of interest that may arise relating to any business that comes before the board. The policy also requires that directors refrain from voting on any such matter, and when appropriate absent themselves from board discussion regarding the issue.

#### ***Corporate culture***

Through the governance manual, the board also charges the chief executive officer with fostering a corporate culture that promotes ethical practices, encourages individual integrity and fulfills social responsibility, and with maintaining a positive and ethical work climate. These principles are reflected in “Bell Aliant’s Values” which are value-based guiding principles that apply to the whole organization.

#### ***Affirmations***

All of Bell Aliant’s directors, officers and senior executives are required to provide annual written compliance affirmations with respect to the Code and other key governance policies.

#### ***Nomination of directors***

##### ***Governance committee***

The governance committee of Bell Aliant Holdings GP is composed of five external directors, three of whom are independent. A copy of the governance committee’s mandate and the director selection process as contained in the governance manual are included in the *Bell Aliant governance matters* section of this circular. This committee is responsible for, among other things, making recommendations to the board regarding new candidates for board nomination.

##### ***Director selection process***

The Securityholders’ Agreement provides that the Bell Aliant Holdings GP board shall consist of between eleven (11) and fifteen (15) members. The size of the Bell Aliant Holdings GP board and the board of Fund trustees is determined annually based on current needs. The governance committee has concluded that the current number of directors on the Bell Aliant Holdings GP board is appropriate. Therefore, this year, unitholders will be asked to approve the appointment by the Fund trustees of five directors in addition to the six directors to be appointed by BCE. This is considered an efficient size and will allow for effective decision making.

The Fund Declaration of Trust provides that the number of Fund trustees shall be a minimum of three (3) and a maximum of twenty (20) trustees. The governance committee has concluded that the current number of trustees is appropriate. Therefore, this year, unitholders will be asked to elect five trustees of the Fund. This is considered an efficient size and will allow for effective decision making.

As part of the nominating process, the governance committee considers the composition of the Bell Aliant Holdings GP board taking into consideration the competencies, strengths, skills and experience of the current board members, retirement dates and Bell Aliant’s strategic direction. This assists the committee in determining the essential and desired experience and skills of potential directors and recommending new director candidates.

The governance manual includes a formal director selection process which includes: review of the strategic objectives; analysis of the current skill, experience and board dynamics; a divergence analysis to identify desirable characteristics to be sought in new board nominees; the development of search criteria; the conduct of a formal search process, including the use of professional consultants when and as needed; and the selection process itself. The committee uses this process to fill vacancies as they arise, rather than maintaining a list of potential directors. The governance manual also outlines selection criteria for individual candidates and the composition of the board as a whole. The selection criteria require the board to consider whether an individual possesses adequate time, capability and willingness to fulfill the responsibilities of director. The governance committee assesses whether nominees will be able to devote sufficient time on the basis of discussions with the nominees and the committee’s understanding of the time required to satisfy the board’s needs.

As part of the director nomination process, the governance committee, in conjunction with the chair and vice-chair of the board, assesses the ongoing performance of the current directors annually.

The current complement of directors was appointed in July 2006 following the completion of the Arrangement.

Early in 2007, the board and trustees adopted, on a voluntary basis, majority voting principles for the approval of directors and election of trustees at the annual unitholders’ meeting. The boards and trustees have committed to maintain the practice of ensuring that the proxy forms used for the election of trustees and approval of directors enable unitholders to vote in favour of,

or to withhold their vote, separately for each director and trustee nominee. The boards and trustees adopted a policy which stipulates that, at any unitholders' meeting at which directors or trustees are to be elected or approved, as applicable, in an uncontested election, if any director or trustee nominee receives a greater number of votes "withheld" from his or her election than votes "for", such nominee shall, no later than 10 days following the receipt of the audited and final scrutineer's report relating to such meeting, submit to the board or trustees as appropriate his or her resignation letter, which shall take effect only upon the acceptance of such resignation by the board or trustees.

The board or trustees, as appropriate, upon recommendation of the governance committee, shall within 90 days following the public disclosure of the vote results, determine either to accept or not the director's or trustee's offer to resign, and the board or trustees shall promptly disclose, via press release, the determination, including, in cases where the board or trustees have determined not to accept a resignation, the reasons therefor. It is generally expected that the governance committee will recommend that the board or trustees accept such resignation except in extraordinary circumstances. If a resignation is accepted, the board or trustees as appropriate may appoint a new director or trustee to fill any vacancy, or may reduce the size of the board or trustees.

## **Compensation**

### ***Management resources and compensation committee of Bell Aliant Holdings GP***

The board has appointed a management resources and compensation committee composed of five external directors, three of whom are independent. This committee has a written mandate that establishes the committee's purpose, responsibilities, and membership composition. A copy of the mandate as contained in the governance manual is included in the section *Bell Aliant governance matters* of this circular.

The management resources and compensation committee is charged with approving the goals and objectives of the chief executive officer and other key executives and also has responsibility for, among other things:

- establishing and administering a plan of continuity for executives and other key employees;
- establishing and administering a broad plan of executive compensation that is competitive and motivating in order to attract, hold and inspire the executive management and other key employees;
- reviewing public disclosure regarding executive compensation;
- an annual review of the performance of each member of executive management and recommendations for compensation; and
- procedures for the review and oversight of benefit plans, perquisite arrangements, and employee pension plans.

### ***Executive compensation***

A detailed explanation of how executive compensation is determined, as well as Fund unit ownership requirements for named executive officers, can be found in the *Report on executive compensation*. The management resources and compensation committee reviews executive compensation disclosure before it is publicly disclosed.

### ***Director compensation***

The governance committee annually recommends the remuneration and benefits to be provided or paid to directors. The recommendation follows a review of market data on director compensation at comparable public trusts and companies. This analysis looks at director compensation at similarly sized entities, as well as organizations in the telecommunications industry and other public entities, for benchmarking purposes. In arriving at its recommendation, the committee also seeks advice from professional compensation consultants. The end result reflects the specific functions and responsibilities of the Bell Aliant Holdings GP directors and the current market. A detailed explanation of the compensation paid to directors, as well as minimum Fund unit ownership requirements, can be found in the section of this circular entitled *Compensation of trustees and directors*.

### ***External consultants***

The management resources and compensation committee and governance committee may engage independent external consultants to provide advice and counsel on executive and director compensation matters. This process allows the committees to obtain expert, independent and objective advice on compensation related matters. During 2006, Aliant and the Fund and its subsidiaries employed the services of the Towers Perrin ("Towers") consulting firm on the following executive compensation matters:

- Executive compensation services – including technical advice relating to the income trust conversion
  - Aliant: \$151,468
  - Bell Aliant: \$134,920
- Board of directors and trustees pay review
  - Bell Aliant \$9,218

During 2006, fees paid to Towers for executive compensation consulting services totalled \$295,598, which relate to the board and executive pay work outlined above.

Decisions made by the management resources and compensation committee are the responsibility of that committee and may reflect factors and considerations other than the information provided by these compensation consultants.

### **Other board committees**

The defined benefit pension fund committee of the Bell Aliant Holdings GP board is composed of three external directors, two of whom are independent.

The defined contribution pension fund committee is composed of the members of the defined benefit pension fund committee, and two elected employee representatives who are participants in the defined contribution pension plan.

The functions of these committees are described in their respective mandates as contained in the governance manual, which are included in the *Bell Aliant governance matters* section of this circular.

#### **Assessments**

The governance committee is responsible for assessing the skills and competencies of the board as a whole and the performance of each director on a yearly basis. The committee also conducts an annual review and assessment of the chairs of the board and its committees. Assessment occurs through various means as determined by the governance committee including surveys, interviews and group discussions. As part of the annual re-nomination process, the committee reviews individual director contribution in terms of meeting attendance, preparedness, participation, value added contribution and other criteria.

Section 5.1 of MI 52-110 requires issuers to provide specific and detailed disclosure regarding their audit committees. This audit committee disclosure can be found in schedules 1 and 2 of Bell Aliant Holdings LP's and the Fund's 2006 Annual Information Form, which can be found at [www.sedar.com](http://www.sedar.com).

## Compensation of trustees and directors

### **Aliant**

#### **Compensation**

During the period of January 1 through July 6, 2006, Aliant directors were compensated on the basis of annual retainers and meeting fees. The annual retainer for each eligible director was \$35,000, all of which was deferred to the share unit plan for non-employee directors (referred to in this section as the "share unit plan") and converted to share units. In addition to the board retainer, the chair of the audit committee received an annual retainer of \$22,000. Other committee chairs received an additional annual retainer of \$7,000, and committee members received an additional annual retainer of \$3,000. The chair of each committee received the committee member retainer in addition to the committee chair retainer. The meeting fee for each board and each committee meeting was \$1,500. These retainers and meeting fees applied to both standing committees and the special independent committee. The chair of the board of directors was compensated on the basis of an annual retainer of \$200,000 with a minimum of \$100,000 deferred to the share unit plan. The chair did not receive meeting fees for board and committee meetings. Non-employee members of the board were also reimbursed for travel and other out-of-pocket expenses incurred as a result of attending board and committee meetings.

Aliant directors who were employed by Aliant, its subsidiaries, BCE or Bell Canada did not receive such compensation. In the case of directors employed by BCE or Bell Canada, compensation was paid to Bell Canada.

#### **Share unit plan**

The share unit plan was designed and implemented solely for members of the board of directors who were not employees of Aliant, its subsidiaries, BCE or Bell Canada. The share unit plan was intended to enhance Aliant's ability to attract and retain high-quality individuals to serve as members of the board and to promote a greater alignment of interests between non-employee members of the board and Aliant's shareholders. Eligible directors and the chair could elect to defer to the share unit plan any portion of their fees over and above the minimum deferred amounts of \$35,000 and \$100,000 for directors and the chair, respectively. At the end of each quarter, fees were divided by the market value of an Aliant common share and converted to deferred share units. Dividends on share units were credited to each director's share unit plan account in the form of additional share units. Upon termination of board service, the directors received the cash equivalent value of the number of share units then recorded in the director's share unit plan account based on the market value of an Aliant common share at that time.

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

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

#### **Minimum ownership requirements**

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

### **Bell Aliant**

#### **Compensation**

During the period from July 7, 2006, to the end of 2006, Bell Aliant Holdings GP directors were compensated on the basis of annual retainers and meeting fees. The annual retainer for each eligible director was \$35,000. In addition to the board retainer, the chair of the audit committee received an annual retainer of \$22,000. Other committee chairs received an additional annual retainer of \$7,000, and committee members received an additional annual retainer of \$3,000. The chair of each committee received the committee member retainer in addition to the committee chair retainer. The meeting fee for each board and each committee meeting was \$1,500. The vice-chair and lead independent director was compensated on the basis of an annual retainer of \$200,000. The vice-chair did not receive meeting fees for board and committee meetings. Non-employee members of the board were also reimbursed for travel and other out-of-pocket expenses incurred as a result of attending board and committee meetings.

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

#### **Deferred unit plan**

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

#### **Minimum ownership requirements**

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

## Other important information

#### **INDEBTEDNESS OF TRUSTEES, DIRECTORS AND SENIOR OFFICERS**

Bell Aliant Holdings GP has a policy prohibiting loans to trustees, directors and officers of Bell Aliant. In 2006, neither Bell Aliant Holdings GP nor its subsidiaries provided a guarantee, support agreement, letter of credit, or other similar arrangement or understanding with respect to the indebtedness of a trustee, director, officer, proposed nominee for election as a trustee, director, or any associate of any such trustee, director, officer or proposed nominee. No trustee, director, officer or proposed nominee for election as a trustee or director or any person associated or affiliated with such trustees, directors, officers or proposed nominees for election as a trustee or director is indebted to Bell Aliant or its subsidiaries.

#### **TRUSTEES', DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The trustees, directors and officers of the Fund and its subsidiaries benefit from a group directors and officers liability policy with limits of US\$200 million purchased through the BCE group insurance program for the protection of all trustees, directors and officers of BCE and subsidiary entities against liability incurred by them in their capacity as trustees, directors and officers.

In 2006, the amount of premium including premium taxes paid by Aliant and the Fund and its subsidiaries for participatory coverage in respect of trustees, directors and officers was \$491,092.70. Where indemnification is granted to the trustees, directors and officers, the deductible is US\$1 million for Bell Aliant. When Bell Aliant does not indemnify the trustees, directors and officers or is restricted in law, there is no deductible.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as disclosed in this circular and in notes 2 and 21 to the consolidated financial statements of Bell Aliant Holdings LP for the year ended December 31, 2006, we are not aware of any material interest of any informed person, or any associate or affiliate of such informed person, in any transaction since the beginning of our most recently completed financial year which has materially affected the Fund or any of its subsidiaries, or in any proposed transaction which would materially affect the Fund or any of its subsidiaries.

#### **ADDITIONAL INFORMATION**

A copy of this circular has been sent to each Fund trustee and Bell Aliant Holdings GP director, to the applicable regulatory authorities, to each unitholder entitled to notice of the Meeting and to the auditors of the Fund. Upon request to the secretary of Bell Aliant GP, the general partner of Bell Aliant LP, the administrator of the Fund, the Fund will send to the person or company making such request, at a nominal charge, and in the case of a unitholder, without charge, a copy of:

- the Fund's current annual information form dated March 20, 2007;

- the most recently filed comparative consolidated financial statements of the Fund, together with the management discussion and analysis of such financial results and the auditor's report thereon, and any interim consolidated financial statements of the Fund that have been filed for any period after the end of its most recently completed financial year; and
- this circular.

Financial information for the Fund's most recently completed fiscal year, being December 31, 2006, is provided in the Fund's consolidated financial statements for the period ended December 31, 2006, and management discussion and analysis of such financial results.

Additional information relating to the Fund and Bell Aliant Holdings LP is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Bell Aliant governance matters

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

### PART I – ROLES, RESPONSIBILITIES AND POSITION DESCRIPTIONS – BELL ALIANT HOLDINGS GP

#### 1. CHAIR OF THE BOARD AND LEAD DIRECTOR RESPONSIBILITIES

##### I. Appointment

The Board shall appoint its Chair from among the Corporation's Directors.

If the Chair of the Board is not independent, the Board shall appoint a Vice-Chair and Lead Director from among the Corporation's independent Directors.

##### II. Duties and Responsibilities of the Board Chair and Lead Director

The Board Chair and Vice-Chair/Lead Director lead the Board in all aspects of its work and are responsible to effectively manage the affairs of the Board and ensure that the Board is properly organized and functions efficiently. The Board Chair and Vice-Chair/Lead Director, as appropriate, also advise the Chief Executive Officer in all matters concerning the interests of the Board and the relationships between management personnel and the Board.

More specifically, the **Board Chair** shall:

##### A. Strategy

1. Provide leadership to enable the Board to act effectively in carrying out its duties and responsibilities as described in the Board charter and as otherwise may be appropriate;
2. Work with the Chief Executive Officer and other Officers to monitor progress on the Business Plan, annual budgets, policy implementation and succession planning;

##### B. Advisor to the Chief Executive Officer

1. Provide advice, counsel and mentorship to the Chief Executive Officer and fellow members of the Board;
2. In consultation with the Chief Executive Officer, ensure that there is an effective relationship between management personnel and the members of the Board;

##### C. Board structure and management

1. Chair the Board meetings;
2. In consultation with the Chief Executive Officer, the Secretary's Office and the Chairs of the Committees of the Board, as appropriate, determine the frequency, dates and locations of meetings of the Board, of Committees of the Board, and of the shareholders;
3. In consultation with the Chief Executive Officer, and the Secretary's Office, review the meeting agendas to ensure all required business is brought before the Board to enable it to efficiently carry out its duties and responsibilities;
4. Ensure, in consultation with the Chairs of the Committees of the Board, that all items requiring Board and Committee approval are appropriately tabled;
5. Ensure the proper flow of information to the Board and review, with the Chief Executive Officer and the Secretary's Office, the adequacy and timing of materials in support of management personnel's proposals;
6. In conjunction with the relevant Committee of the Board (and its Chair), review and assess the Directors' meeting attendance records and the effectiveness and performance of the Board, its Committees (and their Chairs) and individual Directors;

##### D. Other

1. Exercise the authority of the Chief Executive Officer in the unlikely event that the Chief Executive Officer is absent and is unable to act and action on the part of the Chief Executive Officer is urgently required to protect the interests of the Corporation;
2. Carry out special assignments or any functions as requested by the Board;
3. Attend any and all Committee meetings deemed appropriate by the Chair, in a non-voting capacity.

More specifically, the **Lead Director** shall:

1. Ensure the Board has the opportunity, at each regularly scheduled meeting, to meet separately without non-independent directors and management personnel present and to this effect:
  - a. chair such meetings;
  - b. thereafter, relay to the Chair of the Board and Chief Executive Officer, as required, any comment, question or suggestion of independent Directors;
  - c. if, at the request of independent Directors, additional meetings are required, the Lead Director is responsible to provide for procedures for such meetings, such as notice of meetings, agendas, minutes and similar matters;
2. Exercise the authority of the Chair of the Board at any meeting the Chair of the Board is absent;
3. Carry out special assignments or any functions as requested by the Board.

## 2. INDIVIDUAL DIRECTOR RESPONSIBILITIES

There are general duties and responsibilities of Directors in common law and in the *Canada Business Corporations Act* (the “CBCA”), as well as the Corporation’s by-laws.

The relationship of the Director to the Corporation is a fiduciary one. A fiduciary is defined as a person who in law, by his or her position, is able to affect the legal rights of others and has some power of control over the property of others.

The Corporation’s Directors are “trustees” in the sense that in performance of their duties, they stand in a fiduciary relationship to the Corporation and are bound by all the rules of fairness, morality and honesty in purpose that the law imposes.

As a group, the Board of Directors’ role is to oversee the performance of executive management. In summary, this consists of selecting a successful management team, overseeing corporate strategy and performance, acting as a resource for management and ensuring effective investor communication. Individual Directors share this responsibility collectively with the other members of the Board of Directors.

Also individually, Directors must, in connection with the powers and duties of their office, exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstance. Part of this care and diligence is for all Directors to attend and participate in Board discussion.

The duties of a Director as established by the CBCA and as interpreted by the Courts may be summarized as follows:

- A. Duty of Honesty - In their dealings with fellow Directors, Directors must tell the whole truth and in good faith. Secret profits are forbidden to Directors.
- B. Duty of Loyalty – A Director is required to give individual loyalty to the corporation. Each Director must exercise his or her powers honestly and for the benefit of the corporation as a whole.
- C. Duty of Care – A Director is required to exercise prudence and diligence. The duty of care requires prudence based on common sense.
- D. Duty of Diligence – The statutory requirement of diligence involves making those inquiries, which a person of ordinary care in their position or in managing their own affairs would make.
- E. Duty of Skill - Originally in common law a Director was required to exercise no greater degree of skill than could be reasonably expected from a person with their knowledge and experience. The CBCA now requires every Director to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- F. Duty of Prudence – The duty of prudence requires Directors to use common sense. Acting prudently is acting carefully, deliberately, cautiously, trying to foresee consequences.

Directors must also keep the following guidelines in mind in the exercise of their individual responsibilities:

- to exercise powers properly for the purpose for which they are conferred;
- to be sensitive to any sort of conflict of interest whether real or perceived. Where conflict cannot be avoided, declare the conflict and, based on the specifics of the conflict either refrain from voting and/or be excused from the meeting;
- not to misuse information or position;
- to ensure that appropriate records are kept and maintained and that proper distributions or payments are made;
- with regard to the Fund enterprises’ goals and objectives, to fulfill legal requirements and obligations of a Director, participate in review of policies and strategies and monitor their progress;
- with regard to Board activity, to exercise good judgment and act with integrity, use abilities and experience and influence constructively, be an available resource to management and Board, respect confidentiality, govern rather than manage, be aware of potential conflict areas, evaluate the CEO and corporation performance, assist in maximizing investor value;
- with regard to preparation and attendance, to read mail-out materials, maintain good attendance record, acquire adequate information for decision making;
- with regard to communication, to participate fully and frankly in meetings, encourage free and open discussion, ask probing questions;
- with regard to independence, demonstrate interest in long term success of the Fund enterprises, speak and act independently;
- establish an effective, independent and respected presence and a collegial relationship with other Board members;
- with regard to committee work, become knowledgeable about the purpose and goals of the committee, understand the process and the role of management and staff supporting the committee;
- with regard to business and industry knowledge, remain knowledgeable of the Fund enterprises’ services, facilities and industry,

understand the Fund enterprises' roles in their communities, understand regulatory, legislative, business, social and political environments of the Fund enterprises, become acquainted with officers. Be an effective ambassador of the Fund enterprises.

### **3. PRESIDENT AND CHIEF EXECUTIVE OFFICER RESPONSIBILITIES**

The Chief Executive Officer ("CEO") of Bell Aliant Regional Communications Holdings Inc. and Bell Aliant Regional Communications Inc. (collectively the "Corporation"), has the primary responsibility for the management of the business and affairs of the Corporation. As such, the CEO shall establish the strategic and operational orientation of the Corporation and in so doing, provide leadership and vision for the effective overall management, profitability, increasing shareholder/unitholder value and growth of the Corporation and for conformity with policies agreed upon by the Board of Directors of the Corporation/Board of Trustees of the Fund (collectively the "Board"). The CEO is directly accountable to the Board for all activities of the Corporation.

More specifically, in collaboration with the Board, the CEO shall:

#### **A. Leadership**

1. Create a culture within the Corporation that supports the achievement of strategic and operational objectives by ensuring rigor in the recruitment, selection, individual development and the monitoring of executive team members and other senior management personnel, thus ensuring the Corporation maintains a strong succession plan
2. Provide leadership and vision for the Corporation and promote the Corporation's goal of profitability and growth in a sustainable and responsible manner
3. Develop an awareness of global trends in the Corporation's core lines of operations so as to manage rapid technological developments
4. Promote an environment of customer focus and outstanding customer service so as to respond to the demands of increasingly service oriented markets

#### **B. Corporate Social Responsibility & Integrity**

1. Develop and maintain a corporate culture that promotes integrity and ethical values throughout the organization, fostering a culture of ethical business conduct
2. Promote and protect the Corporation's reputation in its markets and with all customers, communities, and government and regulatory bodies

#### **C. Strategy, Risks and Budget**

1. Develop and oversee the execution of, and monitor progress of, the Business Plan and the annual operating and capital budgets
2. Identify, and develop plans to manage, the principal risks with respect to the Corporation and its businesses

#### **D. Governance & Policies**

1. Oversee the development and implementation of, and compliance with, key corporate policies, including policies regarding corporate governance, social responsibility, risk management and financial reporting, as well as compliance with applicable legal and regulatory requirements
2. Work in close collaboration with the Board Chair and Lead Director to determine the scheduling of, and agendas for, meetings of the Board and of Committees of the Board so as to ensure that the Board is kept apprised in a timely manner of the business operations and main issues facing the Corporation, and to ensure there is an effective relationship between management and the members of the Board

#### **E. Business Management**

1. Approve commitments within the limits of delegated approval authorities from the Board and provide general supervision and management of the day-to-day business and affairs of the Corporation
2. Serve as the Corporation's chief spokesperson to its principal stakeholders including its shareholders, the financial community, customers, government and regulatory bodies and the public generally

#### **F. Disclosure**

1. Together with the Disclosure and Compliance Committee and the Chief Financial Officer, ensure appropriate and timely disclosure of material information
2. Together with the Chief Financial Officer:
  - a) establish and maintain the Corporation's disclosure controls and procedures through appropriate policies and processes
  - b) establish and maintain the Corporation's internal controls over financial reporting through appropriate policies and procedures
  - c) develop the process for, and comply with, the certifications to be provided in the Corporation's public disclosure documents

#### **G. Other**

1. Carry out any other appropriate duties and responsibilities assigned by the Board.

### **4. COMMITTEE CHAIR RESPONSIBILITIES**

#### **Governance Committee Chair**

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

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

#### **Management Resources and Compensation Committee Chair**

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

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

#### **Defined Benefit Pension Fund Committee Chair**

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

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

### **Defined Contribution Pension Fund Committee Chair**

The Chair of the DB Pension Fund Committee shall be the Chair of the DC Pension Fund Committee. The Chair of the DC Pension Fund Committee leads the DC Pension Fund Committee in all aspects of its work and is responsible to effectively manage the affairs of the DC Pension Fund Committee and ensure that it is properly organized and functions efficiently. More specifically, the Chair of the DC Pension Fund Committee shall:

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

### **5. DIRECTOR SELECTION PROCESS**

In the case of Trust appointees or nominees to the Board, the Governance Committee has the responsibility for recommending, in consultation with the CEO, suitable candidates. The selection procedure for independent directors is described below, and must be in compliance with the terms of the Securityholders' Agreement.

#### **I. Search Process**

When a vacancy occurs on the Board and such vacancy is to be filled by a Trust appointee and an independent Director, the Governance Committee (in this section, the "Committee") will follow the following process:

- A. **Strategic Objectives**  
The Committee will review the Corporation's current strategic objectives to determine the implications of such objectives for the composition of the Board of Directors.
- B. **Current Skill, Experience and Board Dynamics Analysis**  
The Committee will review the background, experience and skills of each Director along with the current Board dynamics to determine current Board strengths and needs. For this purpose, the Committee will develop a matrix of existing Directors' skills, knowledge and experience.
- C. **Divergence Analysis**  
The Committee will review the information it has assembled about existing skills and dynamics in light of the Corporation's strategic objectives. This information will be used to assess whether the current Board represents a mix of skills, experience and individual characteristics required for collective effectiveness.
- D. **Development of Criteria**  
Bearing in mind the divergence analysis, the Committee will develop the criteria for the selection of new Directors to ensure it complements the current Board composition and fills any gaps. Using the results of the divergence analysis, the Committee will develop a profile of skills, knowledge and experience required of potential candidates, that is consistent with the general selection criteria outlined below and that reflects the Corporation's values.
- E. **Search Process**  
The Committee may in its discretion identify candidates for consideration as potential Directors. The Committee may use the services of outside consultants in searching for candidates. In identifying candidates, the Committee shall determine whether an individual fits the general selection criteria and the profile developed by the Committee. The Committee will consider the interplay of the candidate's attributes with the experience and attributes of other Board members.
- F. **Selection Process**  
The Board Chair and the chief executive officer, together with the Chair of the Committee, will interview the candidates. The Committee will review the reports of the interviews and make the recommendation it deems appropriate to the Board.

The formal invitation to join the Board will be extended, on behalf of the Board, by the Chair of the Board after discussion with and approval by the Committee and the full Board of Directors.

#### **II. General Selection Criteria**

##### ***Individual Qualifications***

In general, the Board will consider individuals

- A. prominent and active in any of a broad variety of businesses, institutions or professions and who would bring a diversity of views and experience to the Board;
- B. with knowledge of/experience relevant to the success of a publicly-traded company;
- C. familiar with the Atlantic, Quebec and Ontario regions and the telecommunications and information technology industries;

- D. who demonstrate the ability to take into account and incorporate many perspectives at once, who are incisive and exercise sound business judgment and who demonstrate independence of mind;
- E. who demonstrate integrity, honesty and the ability to generate public confidence and maintain the goodwill and confidence of the Corporation's investors;
- F. with the ability to provide thoughtful and experienced counsel on a broad range of issues and to develop a depth of knowledge of the business of the Corporation;
- G. who are collegial and respectful of, but not deferential to, others views; and
- H. possess adequate time, capability and willingness to fulfill the responsibilities of Director.

***Composition of the Board as a Whole***

- A. a diversity of background, perspective and skills related to the Corporation's strategic objectives;
- B. a diversity of race, gender, language and age.

**PART II – BOARD AND COMMITTEE MANDATES**

**BOARD OF DIRECTORS**

**I. Purpose**

The Board of Directors ("Board") of the Corporation is responsible for the supervision of the management of the business and affairs of the Corporation.

In this Charter, references to the "Corporation" include Bell Aliant Regional Communications Holdings Inc., Bell Aliant Regional Communications Inc., Bell Aliant Holdings Trust and 6583458 Canada Inc. References to the "Board" include the Board of Directors of Bell Aliant Regional Communications Holdings Inc., Bell Aliant Regional Communications Inc. and 6583458 Canada Inc. and the Trustees of Bell Aliant Holdings Trust, as applicable.

**II. Duties and Responsibilities of the Board**

In furtherance of its purpose, the Board assumes the following duties and responsibilities, some of which are initially reviewed and recommended by the applicable Committee of the Board to the full Board for approval:

**A. Strategy and budget**

1. Ensuring a strategic planning process is in place and approving, on at least an annual basis, a Business Plan which takes into account, among other things, the longer term opportunities and risks of the business;
2. Approving the Corporation's annual operating and capital budgets;
3. Reviewing operating and financial performance results in relation to the Corporation's Business Plan and budgets;

**B. Governance**

1. Developing the Corporation's approach to, and disclosure of, corporate governance practices, including expectations and responsibilities of individual Directors, as well as attendance at meetings of the Board and of committees of the Board and the commitment of time and energy expected;
2. Approving the nomination of Directors to the Board, as well as:
  - a. ensuring that the composition of the Corporation's Directors is in compliance with the Securityholders' Agreement, and determining which Directors, in the reasonable opinion of the Board, are independent pursuant to applicable legislation, regulation and listing requirements;
  - b. developing appropriate qualifications/criteria for the selection of Board members, including criteria for determining Director independence;
  - c. appointing the Board Chair, Lead Director, and the Chair and members of each Committee of the Board, in consultation with the relevant Committee of the Board;
3. Determining that the members of the Audit Committee of the Board meet all requirements of Audit Committee members, pursuant to applicable legislation, regulation and listing requirements, including independence and financial literacy;
4. Providing an orientation program for new Directors to the Board and continuing education opportunities for all Directors;
5. Assessing annually the effectiveness and contribution of the Board, the Board Chair and the Lead Director, of each Committee of the Board and their respective Chairs and of individual Directors;
6. Developing written position descriptions for the Board Chair and Lead Director and the Chair of each Committee of the Board;

**C. Chief Executive Officer, Officers and Compensation and Benefits Policies**

1. Appointing the Chief Executive Officer and all other Officers of the Corporation;
2. Together with the Chief Executive Officer, developing a written position description for the role of the Chief Executive Officer;
3. Developing the corporate goals and objectives that the Chief Executive Officer is responsible for meeting and reviewing the performance of the Chief Executive Officer against such corporate goals and objectives;
4. Approving the Corporation's compensation policy for Directors;
5. Approving the Corporation's compensation and benefits (including pension plans) policy or any changes thereto for Officers and approving, by the external Directors, all forms of compensation for the Chief Executive Officer, as well as:
  - a. monitoring and reviewing, as appropriate, the administration, funding and investment of the Corporation's pension plans;
  - b. appointing, or removing, the custodian, trustee, or investment manager(s) for the Corporation's pension plans and fund(s);
6. Satisfying itself as to the integrity of the Chief Executive Officer, other Officers and senior management personnel and that the Chief Executive Officer, other Officers and senior management personnel create a culture of integrity throughout the organization;

7. Providing stewardship in respect of succession planning, including the appointment, training and monitoring of the Chief Executive Officer, other Officers and senior management personnel;

**D. Risk Management, Capital Management and Internal Controls**

1. Identifying and assessing the principal risks of the Corporation's business, and ensuring the implementation of appropriate systems to manage these risks;
2. Ensuring the integrity of the Corporation's internal control system and management information systems and the safeguarding of the Corporation's assets;
3. Reviewing, approving, and as required, overseeing compliance with the Corporation's Disclosure Policy by Directors, Officers and other management personnel and employees;
4. Reviewing, approving and overseeing the Corporation's disclosure controls and procedures;
5. Reviewing and approving the Code of Business Conduct and Ethics of the Corporation with the purpose of promoting integrity and deterring wrongdoing, and encouraging and promoting a culture of ethical business conduct and as required, overseeing compliance with the Corporation's Code of Business Conduct and Ethics by Directors, Officers and other management personnel and employees;

**E. Financial Reporting, Auditors and Transactions**

1. Reviewing and approving, as required, the Corporation's financial statements and related financial information;
2. Appointing, subject to approval of shareholders (including terms and review of engagement) and removing of the external auditor;
3. Appointing (including responsibilities, budget and staffing) and removing of the Corporation's internal auditor;
4. Delegating (to the extent permitted by law) to the Chief Executive Officer, other Officers and management personnel appropriate powers to manage the business and affairs of the Corporation;

**F. Legal Requirements and Communication**

1. Overseeing the adequacy of the Corporation's processes to ensure compliance by the Corporation with applicable legal and regulatory requirements;

**G. Other**

1. Reviewing and approving, as required, the Corporation's environmental policies and ensuing management systems;
2. Reviewing, approving, and as required, overseeing Directors, other Officers and management personnel and employees compliance with the Corporation's health and safety policies and practices;
3. Performing any other function as prescribed by law or as not delegated by the Board to one of the Committees of the Board or to management personnel.

**GOVERNANCE COMMITTEE**

**I. Purpose**

The purpose of the Governance Committee is to assist the Board of Directors in:

- A. developing and implementing the Corporation's governance guidelines;
- B. identifying individuals qualified to become Board members;
- C. determining the composition of the Board of Directors and its Committees;
- D. determining the Directors' remuneration for Board and Committee service;
- E. developing and overseeing a process to assess the Board Chair, the Lead Director, the Board, Board Committees, Chairs of Committees, and individual Directors; and
- F. overseeing the Corporation's policies concerning business conduct, ethics, public disclosure of material information and other matters.

**II. Duties and Responsibilities**

The Governance Committee shall perform the functions customarily performed by governance and nominating committees and any other functions assigned by the Board of Directors. In particular, the Governance Committee shall have the following duties and responsibilities:

**A. Governance**

1. Report to the Board of Directors annually on matters of governance, including standards of performance for Directors, the size of the Board, the structure, charter and composition of Board Committees and the Corporation's recommendations regarding unitholder proposals required by law to be included in the Corporation's proxy circular, as applicable.
2. Develop and recommend to the Board of Directors a Board of Directors charter, as well as the disclosure of the Corporation's governance guidelines and principles in the Corporation's public disclosure documents, in accordance with applicable laws and regulations, and review such guidelines and principles periodically but not less than annually, and recommend changes as deemed necessary.
3. Develop and recommend to the Board of Directors a Governance Manual that includes policies regarding the following:
  - a. General responsibilities and functions of the Board and its members;
  - b. The organization and responsibilities of Board committees, including Committee Charters; and
  - c. The operations and procedures for Board meetings;

**B. Directors**

1. Identify, consider and recommend for approval by the Board of Directors candidates qualified to become new Directors and the nominees for election at the next annual meeting of shareholders.

2. Develop and recommend to the Board of Directors appropriate qualifications/criteria for the selection of Board of Directors members, including criteria for determining director independence.
3. Conduct an annual review of the Directors' remuneration for Board and Committee service in relation to current norms, and recommend any change for Board of Directors' approval.
4. Assist in the orientation of newly elected/appointed Directors, including in becoming acquainted with the Corporation and its governance process, and encourage continuing education opportunities for all members of the Board of Directors.

#### **C. Policies**

1. Oversee the charitable contributions of the Corporation.
2. Review, report, and where appropriate, provide recommendations to the Board of Directors on the Corporation's Disclosure Policy, Code of Business Conduct and Ethics, and other related policies and guidelines, and recommend changes as deemed appropriate.
3. Assist the Board of Directors, as required, in interpreting and applying the Corporation's Disclosure Policy, the Code of Business Conduct and Ethics, and other related policies and guidelines.

### **III. Evaluation of the Board of Directors, the Governance Committee and other Committees of the Board of Directors and Report to the Board of Directors**

- A. The Governance Committee shall, on an annual basis:
  1. Develop and oversee a process to allow each director to assess the effectiveness and performance of (i) the Board of Directors, its Chair and the Lead Director; (ii) the Committees of the Board of Directors and their respective Chairs, and (iii) themselves as a member of the Board of Directors; and review with the Board of Directors the results of such assessments.
  2. Evaluate, review and report to the Board of Directors on the performance of the Governance Committee.
  3. Review and discuss with each of the Committees of the Board of Directors the appropriateness of the charter adopted by each such Committee, and as deemed appropriate recommend changes to the Board of Directors.
- B. The Governance Committee shall report to the Board of Directors periodically on the Governance Committee's activities.

#### **IV. Outside advisors**

The Governance Committee shall have the authority to engage outside counsel and other outside advisors as it deems appropriate to assist the Governance Committee in the performance of its functions. The Corporation shall provide appropriate funding for such advisors as determined by the Governance Committee. The Governance Committee shall have the authority to approve any engagement of outside counsel and other outside advisors by an individual Board member.

#### **V. Membership**

The Governance Committee shall consist of such number of directors, in no event to be less than three, as the Board of Directors may from time to time by resolution determine. A majority of members of the Governance Committee shall be independent of the Corporation as determined by the Board of Directors, in accordance with applicable laws, rules and regulations.

#### **VI. Term**

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

#### **VII. Procedures for meetings**

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

#### **VIII. Quorum and voting**

Unless otherwise determined from time to time by resolution of the Board of Directors, two members of the Governance Committee shall constitute a quorum for the transaction of business at a meeting.

For any meeting(s) at which the Governance Committee Chair is absent, the Chair of the meeting shall be the person present who shall be decided upon by all members present. At a meeting, any question shall be decided by a majority of the votes cast by the Governance Committee members, except where only two members are present, in which case any question shall be decided unanimously.

#### **IX. Secretary**

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

#### **X. Vacancies**

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

#### **XI. Records**

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

## **MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE**

### **I. Purpose**

The purpose of the Management Resources and Compensation Committee is to assist the Board of Directors in its oversight responsibilities relating to:

- A. The compensation, nomination, evaluation, and succession of Officers and other management personnel; and
- B. The Corporation's health and safety policies and practices.

### **II. Duties and Responsibilities**

The Management Resources and Compensation Committee shall perform the functions customarily performed by compensation committees and any other functions assigned by the Board of Directors. In particular, the Management Resources and Compensation Committee shall have the following duties and responsibilities:

#### **A. Officers**

1. Consider and recommend for approval by the Board of Directors the appointment of the Chief Executive Officer (subject to the terms of the Securityholders' Agreement) and all other Officers of the Corporation.
2. Review with the Chief Executive Officer management's assessment of existing management resources and plans for ensuring that qualified personnel will be available as required for succession to Officers and other management personnel, and to report on this matter to the Board of Directors at least once each year.
3. Review and assess annually, in conjunction with the Board of Directors, the performance of the Chief Executive Officer against pre-set specific corporate and individual goals and objectives approved by the Management Resources and Compensation Committee.
4. Review with the Chief Executive Officer the annual performance assessments of all other senior Officers, and to report annually to the Board of Directors on these assessments.

#### **B. Compensation**

1. Oversee and recommend for approval by the Board of Directors the Corporation's executive compensation policy and to specifically consider and recommend annually for approval by the external directors of the Board of Directors all forms of compensation for the Chief Executive Officer.
2. Review and determine the compensation of each member of Executive Management, and recommend individual Executive compensation to the Board for their consideration and approval.
3. Recommend to the Board for consideration, approval, and establishment by the Board, employee benefit plans to be granted to Executive Management and guidelines with respect thereto.
4. Following the approval of and establishment by the Board of a long-term incentive plan:
  - a. subject to confirmation by the Board, approve the grants under the long-term incentive plan;
  - b. suggest and review any amendments which the Committee considers necessary to the long-term incentive plan and make recommendations to the Board with respect to any amendments to such long-term incentive plan; provided however, that all amendments to such plan shall be subject to the consideration and approval of the Board; and
  - c. oversee all other administrative requirements with regard to the long-term incentive plan.
5. Within any guidelines established by the Board:
  - (i) administer the incentive compensation plans for Executive Management;
  - (ii) designate key employees as Executive Management for the purposes of receiving incentive compensation; and
  - (iii) suggest and review any amendments which the Committee considers necessary for the incentive compensation plan and make recommendations to the Board for the consideration and approval of the Board; provided however, that all amendments to such plans shall be subject to the consideration and approval of the Board.
6. Subject to the Board's approval of the establishment of all employee benefit plans and perquisites and within any guidelines established by the Board with respect thereto, review and approve benefits and perquisites to be granted under all employee benefit plans including levels and types of benefits.
7. Review and approve all proposed enhancements to or deductions from the benefits accruing to employees under the pension plans.
8. Review any proposed major changes in the Corporation's benefit plans and recommend for approval any change requiring Board of Directors action.
9. Review the Corporation's annual report on executive compensation for inclusion in the Corporation's public disclosure documents, in accordance with applicable rules and regulations.
10. Review with the Chief Executive Officer any proposed major changes in organization or personnel.

#### **C. Oversight of the Corporation's health and safety policies and practices**

1. Review, monitor, report and where appropriate, provide recommendations to the Board of Directors on the Corporation's health and safety policies and practices.
2. When appropriate, ensure that the Corporation's subsidiaries establish health and safety policies and practices and review and report thereon to the Board of Directors of the Corporation.

### **III. Evaluation of the Management Resources and Compensation Committee and Report to Board of Directors**

- A. The Management Resources and Compensation Committee shall evaluate and review with the Governance Committee of the Board of Directors, on an annual basis, the performance of the Management Resources and Compensation Committee.
- B. The Management Resources and Compensation Committee shall review and discuss with the Governance Committee of the Board of Directors, on an annual basis, the appropriateness of the Management Resources and Compensation Committee charter.

- C. The Management Resources and Compensation Committee shall report to the Board of Directors periodically on the Management Resources and Compensation Committee's activities.

#### **IV. Outside advisors**

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

#### **V. Membership**

The Management Resources and Compensation Committee shall consist of such number of directors, in no event to be less than three, as the Board of Directors may from time to time by resolution determine. A majority of members of the Management Resources and Compensation Committee shall be independent of the Corporation as determined by the Board of Directors, in accordance with applicable laws, rules and regulations.

#### **VI. Term**

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

#### **VII. Procedures for meetings**

The Management Resources and Compensation Committee shall fix its own procedure at meetings and for the calling of meetings. The Management Resources and Compensation Committee shall meet in executive session in the absence of management, at each regularly scheduled meeting.

#### **VIII. Quorum and voting**

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

#### **IX. Secretary**

Unless otherwise determined by resolution of the Board of Directors, the Chief Talent Officer of the Corporation or his/her delegate shall be the Secretary of the Management Resources and Compensation Committee.

#### **X. Vacancies**

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

#### **XI. Records**

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

### **DEFINED BENEFIT PENSION FUND COMMITTEE**

#### **I. Purpose**

The purpose of the DB Pension Fund Committee is to assist the Board of Directors in its oversight responsibilities related to:

- A. the administration, funding and investment of the Corporation's Defined Benefit pension plans (the "Plans") and trust funds (the "Funds"); and
- B. any unitized pooled funds sponsored by the Corporation for the collective investment of the assets of the Plans (i.e. "Master Trust Fund(s)").

#### **II. Duties and Responsibilities**

The DB Pension Fund Committee shall perform the functions customarily performed by pension fund committees and any other functions assigned by the Board of Directors. In particular, the DB Pension Fund Committee shall have the following duties and responsibilities:

##### **A. Establishment of Strategy and Policies**

1. Review any proposed change in the Corporation's Plans and in particular, the impact on the Plans' liabilities and funding of proposed changes to benefits under the Plans and advise the Board of Directors thereon.
2. Approve long-term funding objectives in relation to the Plans' liabilities.
3. At least annually, confirm, or approve changes to, the Statements of Investment Policies and Procedures ("SIPP's") of the Funds and/or Master Trust Funds, including the long-term asset mixes to be followed.

##### **B. Appointments of Agents and Delegation to Management or a Management-level Committee**

1. Approve the appointment or removal of the actuary for the Plan.

2. Approve the appointment (including the terms thereof and any changes thereto), or removal, of the custodian(s), trustee(s) or investment manager(s) (including the allocation of assets to each such investment manager), for the Funds and/or Master Trust Funds.

#### **C. High-Level Monitoring**

1. Review at least annually the policies and procedures in place for carrying out the Corporation's responsibilities as employer and administrator of the Plans, including supervision and monitoring procedures (the "Control System").
2. On a periodic basis, as determined by the DB Pension Fund Committee, obtain assurances that the Control System is adhered to and that it has not detected any material non-compliance.
3. Obtain reasonable assurances that the Plans, Funds and Master Trust Fund(s) are administered and invested in material compliance with the Plan texts, applicable contractual arrangements, the applicable SIPPs and applicable law.
4. Review and approve the audited financial statements of the Plans.
5. On a periodic basis, as determined by the DB Pension Fund Committee, obtain and review a report on the Funds' and Master Trust Fund(s)' respective investment performance.

#### **III. Evaluation of the DB Pension Fund Committee and Report to Board of Directors**

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

#### **IV. Outside advisors**

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

#### **V. Membership**

The DB Pension Fund Committee shall consist of such number of directors, in no event to be less than three, as the Board of Directors may from time to time by resolution determine.

#### **VI. Term**

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

#### **VII. Procedures for meetings**

The DB Pension Fund Committee shall fix its own procedure at meetings and for the calling of meetings.

#### **VIII. Quorum and voting**

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

#### **IX. Secretary**

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

#### **X. Vacancies**

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

#### **XI. Records**

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

### **DEFINED CONTRIBUTION PENSION FUND COMMITTEE**

#### **I. Purpose**

The purpose of the DC Pension Fund Committee is to assist the Board of Directors in its oversight responsibilities related to the administration and investment policy of the Corporation's Defined Contribution pension plans (the "Plans").

#### **II. Duties and Responsibilities**

The DC Pension Fund Committee shall perform the functions customarily performed by pension fund committees and any other functions assigned by the Board of Directors. In particular, the DC Pension Fund Committee shall have the following duties and responsibilities:

**A. Establishment of Strategy and Policies**

1. Set the investment policy of the plans, including the selection of various asset classes within which the funds are invested.
2. At least annually, confirm, or approve changes to, the Statements of Investment Policies and Procedures (“SIPPs”) of the Plans.
3. Provide guidance to the Corporation to assist in establishing reporting guidelines and educational communication processes for employees.

**B. Appointments of Agents and Delegation to Management or a Management-level Committee**

1. Approve the appointment (including the terms thereof and any changes thereto), or removal, of the record-keeper or investment manager(s).

**C. High-Level Monitoring**

1. Review at least annually the policies and procedures in place for carrying out the Corporation’s responsibilities as employer and administrator of the Plans, including supervision and monitoring procedures (the “Control System”).
2. On a periodic basis, as determined by the DC Pension Fund Committee, obtain assurances that the Control System is adhered to and that it has not detected any material non-compliance.
3. Obtain reasonable assurances that the Plans are administered and invested in material compliance with the Plan texts, applicable contractual arrangements, the applicable SIPPs and applicable law.
4. If applicable, review and approve the audited financial statements of the Plans.
5. On a periodic basis, as determined by the DC Pension Fund Committee, obtain and review a report on the investment performance of fund options available to the Plans’ members.

**III. Evaluation of the DC Pension Fund Committee and Report to Board of Directors**

- A. The DC Pension Fund Committee shall evaluate and review with the Governance Committee of the Board of Directors, on an annual basis, the performance of the DC Pension Fund Committee.
- B. The DC Pension Fund Committee shall review and discuss with the Governance Committee of the Board of Directors, on an annual basis, the appropriateness of the DC Pension Fund Committee charter.
- C. The DC Pension Fund Committee shall report to the Board of Directors periodically on the DC Pension Fund Committee’s activities.

**IV. Outside advisors**

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

**V. Membership**

The DC Pension Fund Committee shall consist of the members of the DB Pension Fund Committee and two (2) elected employee representatives.

The employee representatives shall be elected once every three years by members of the Plans in such a manner as management deems fair and expedient. An employee representative shall serve in that capacity until resignation or he or she ceases to be an Bell Aliant employee and member of a Bell Aliant DC Plan or until his or her successor is elected. Any vacancy in the employee representatives shall be filled by an appointment of a qualified employee by the remaining members of the Committee, and will serve until the next election of employee representatives.

**VI. Procedures for meetings**

The DC Pension Fund Committee shall fix its own procedure at meetings and for the calling of meetings.

**VII. Quorum and voting**

Unless otherwise determined from time to time by resolution of the Board of Directors, a quorum shall consist of not less than four (4) members of the DC Pension Fund Committee, at least two of which shall be external Directors of the Corporation and two shall be employees.

For any meeting(s) at which the Chair of the DC Pension Fund Committee is absent, the Chair of the meeting shall be the person present who shall be decided upon all members present.

**VIII. Secretary**

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

**IX. Records**

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

**Annual meeting**

Wednesday, May 16, 2007, at 10:00 a.m. (Atlantic time)

Delta Brunswick, Ballroom

39 King Street

Saint John, New Brunswick

**Bell Aliant**

1-877-248-3113

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