



Bell Aliant Regional Communications
Income Fund
and
Bell Aliant Regional Communications
Holdings, Limited Partnership

**Notice Concerning
Forward-Looking Statements**

February 20, 2007

Notice Concerning Forward-Looking Statements

In this document, *we, us, our* and Bell Aliant mean Bell Aliant Regional Communications Income Fund (also specifically referred to as “the Fund”) or Bell Aliant Regional Communications Holdings, Limited Partnership, its subsidiaries and controlled entities (also specifically referred to as “Holdings LP”).

The 2007 guidance news release issued February 20, 2007, and certain oral statements made by our senior management at Bell Aliant’s Business Review conference with the financial community in Toronto on February 20, 2007, web-cast simultaneously, and archived on bell.aliant.ca, all contain forward-looking statements about Bell Aliant’s objectives, plans, strategies, financial condition, results of operations and businesses. In addition, we, or others on our behalf, may make other written or oral statements that are forward-looking from time to time.

A statement is forward looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements are based on our current expectations, estimates and assumptions about the markets we operate in, the Canadian economic environment and our ability to attract and retain customers and to manage network assets and operating costs. They may include words such as *anticipate, believe, could, expect, goal, guidance, intend, may, objective, plan, outlook, seek, aim, strive, target and will*.

It is important to know that:

- Forward-looking statements describe our expectations on the day that they are made. The forward-looking statements set out in our 2007 guidance news release or presented or stated orally by our senior management at our Business Review conference, reflect our expectations as of February 20, 2007.
- Our actual results could differ materially from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, you are cautioned not to place undue reliance on these forward-looking statements.
- Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. Except as specifically identified by us, such statements do not reflect the impact of dispositions, sales of assets, monetization, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made. Even if identified by our statements, the financial impact of such transactions and

non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them. Accordingly, the expected impact cannot be meaningfully described in the abstract or presented in the same manner as known risks affecting our business.

- We disclaim any intention and assume no obligation to update or revise any forward looking statement even if new information becomes available, as a result of future events or for any other reason.

You will find in Sections A, B and C of this document a description of:

- the principal forward looking statements made by Bell Aliant;
- the material factors and assumptions applied and made by Bell Aliant in making such forward looking statements; and
- the principal known risks that could cause our actual results to differ materially from our current expectations and that could cause our assumptions and estimates to be inaccurate.

A. FORWARD-LOOKING STATEMENTS

This section outlines the principal elements of guidance provided by Bell Aliant for 2007.

A.1

2007 Guidance

For 2007, Bell Aliant expects to achieve the following ranges of results for key financial reporting indicators. This guidance reflects the privatization of Bell Nordiq Income Fund (together with its operating entities referred to as "Bell Nordiq"), which was completed on January 30, 2007.

It also reflects the following anticipated major transactions:

- Sale of our 87.14% partnership interest in Aliant Directory Services ("ADS") for proceeds of \$330 million, with any resulting capital gain fully sheltered from income tax;
- Execution of a Normal Course Issuer Bid ("NCIB") for up to 10% of the Fund's public unit float, to be approved by the Toronto Stock Exchange ("TSX"); and
- Acquisition of 100% of the outstanding units of Amtelecom Income Fund ("Amtelecom") for cash.

Guidance is presented both before and after considering a planned \$35 - 45 million acceleration of fibre-to-the-node (“FTTN”) spending in Bell Aliant’s capital spending program. This is an acceleration of spending that originally would have been planned for future years, and therefore represents an overlay to normal business operations. Consequently, it is believed that it is helpful information to provide guidance with and without this incremental investment.

	2007 Guidance	2007 Guidance after accelerated FTTN
Revenue	\$3.33 - \$3.40 billion	\$3.33 - \$3.40 billion
Distributable cash ¹	\$735 - \$750 million	\$690 - \$710 million
Capital intensity ²	15 - 15.5 per cent	16 - 16.5 per cent

A.2

Other forward looking statements and assumptions

- For 2007 we anticipate being able to generate positive organic revenue growth of up to 2 per cent compared to 2006 pro forma results. Organic growth means before considering the 2007 revenue reduction from an assumed sale of ADS and the revenue increase from an assumed acquisition of Amtelecom.

¹ We use distributable cash, among other measures, to assess the financial performance of our ongoing business. It should not be seen as a measure of liquidity or as a substitute for comparable metrics prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). We believe that certain investors and analysts use distributable cash to measure our, as well as other open-ended trusts’, ability to generate a sustainable return for unitholders. Distributable cash should not be confused with cash from operating activities which is the most comparable Canadian GAAP financial measure. Distributable cash is the cash generated from operating activities that is available to distribute to our unitholders. We calculate it using EBITDA of Holdings LP (see note 3 below) and add or deduct any cash items not included in EBITDA but are required for operating purposes in the current period, including following items:

- (i) cash funding requirement for current service pension costs for defined benefit pension plans and other employee benefit plans to the extent not already deducted in determining EBITDA;
- (ii) interest expense;
- (iii) capital expenditures;
- (iv) other cash income or expenses that may be incurred to the extent not included in EBITDA;
- (v) an adjustment to cash capital taxes to reflect a normalized level that will be achieved once announced provincial tax rate reductions come into effect in future years;
- (vi) expenses incurred by the Fund as these are not included in the EBITDA of Holdings LP;
- (vii) adjustments for certain one-time or other normalizing expenses items;
- (viii) the portion of our consolidated distributable cash that is generated for the benefit of the non-controlling interest in our controlled subsidiaries; and
- (ix) the portion of distributable cash that was generated by discontinued operations.

² Capital intensity equals capital expenditures divided by operating revenues.

- During the period 2007 - 2008 we anticipate the percentage of residential households in our territory that will have access to a competing cable telephony offering will increase from approximately 33 per cent at the end of 2006 to 45 - 55 per cent by the end of 2007 or into 2008, and eventually beyond 2008 reaching a level of 55 - 60 per cent .
- During 2007 we anticipate being able to generate operating cost savings through productivity measures and synergies of \$75 - 85 million.
- We anticipate that by the end of 2007 we will have passed 74 per cent of the homes in our residential customer market with our high-speed Internet network.
- We anticipate being able to offer our IPTV product to approximately 200,000 residential households by the end of 2007.
- We will aim to maintain our ratio of net debt: EBITDA³ at a level of approximately 2 times.
- We anticipate being subject to the equivalent of corporate income tax at a statutory rate of 31.5 per cent starting January 1, 2011.
- Pension deficit funding for 2007 will be in the range of \$40 - 50 million and this will be funded out of cash reserves or borrowing.
- Cash capital taxes for 2007 will be approximately \$22 million, of which \$7 million represents a normalized level that will be deducted in determining distributable cash and \$15 million will be funded out of cash reserves or borrowing. The \$7 million reflects enactment of all previously announced provincial capital tax rate reductions.
- The payout ratio of Fund distributions⁴ divided by distributable cash will be approximately 90 per cent in 2007.

³ We define EBITDA as operating revenues less operating expenses, which means it represents operating income before depreciation and amortization expense, net benefit plans cost, and restructuring and other charges. We use EBITDA, among other measures, to assess the operating performance of our ongoing businesses without the effects of depreciation and amortization expense, net benefit plans cost, and restructuring and other charges. We exclude depreciation and amortization expense and net benefit plans cost because they largely depend on the accounting methods and assumptions a company uses, as well as non-operating factors, such as the historical cost of capital investments and the fund performance of a company's pension plans. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Excluding restructuring and other charges does not imply they are necessarily non-recurring. We believe that certain investors and analysts use these measures to assess our ability to service debt, make capital distributions to unitholders and to meet other payment obligations, or as a common valuation measurement in the telecommunications industry. EBITDA should not be confused with operating revenues or expenses which are the most comparable Canadian GAAP financial measures.

⁴ Subject to approval by the Fund's Board of Trustees.

B. MATERIAL ASSUMPTIONS MADE IN THE PREPARATION OF FORWARD LOOKING STATEMENTS

A number of factors or assumptions were applied or made by Bell Aliant in preparing its guidance for 2007 and in making the forward looking statements referred to above. The material factors and assumptions are outlined in this section. The reader should note that factors and assumptions applied or made in the preparation of the 2007 guidance and forward looking statements, although considered reasonable by Bell Aliant at the time of preparation, may prove to be inaccurate due to material factors and risks, as set out herein, that could cause actual results to differ materially from a conclusion, forecast or projection. Accordingly, our actual results could differ materially from our expectations as set forth in our 2007 guidance and forward looking statements.

Economic Assumptions

Bell Aliant's 2007 guidance and forward looking statements are based on various assumptions concerning the Canadian economy, and specifically the economies of the regions in Canada where Bell Aliant operates, namely Ontario, Quebec, and the Atlantic Provinces. First, it assumes that Canadian GDP growth in 2007 will be essentially in line with GDP growth in 2006, consistent with estimates by the Conference Board of Canada. It also assumes that the general level of interest rates and the inflation rate will remain stable around current levels. For this purpose current levels are indicated by the approximate 4 per cent interest rate on Government of Canada 5-year bonds and the approximate 1 - 2 per cent growth rate of the Consumer Price Index.

Market Assumptions

Our 2007 guidance also reflects various assumptions about the markets in which we operate. First, we have assumed growth in overall Canadian telecommunications revenues will be in line with general GDP growth. Second, we have assumed that our market share of the consumer voice telecommunications market will continue to decrease in 2007 due to the expansion of existing competitors and entrance of new competitors, particularly cable companies, and broad industry trends such as wireless and Voice over Internet Protocol ("VoIP") substitution. Finally, we have assumed that the 2007 revenue growth rates of the Canadian IT industry will be in line with 2006 and that the 2007 revenue growth rate of the Canadian Internet market will be slightly lower than 2006.

Financial and Operational Assumptions

The financial and operational assumptions made by Bell Aliant apply across all of our operating segments, including Bell Nordiq, on a consolidated basis.

First, revenue growth estimates for 2007 are based upon an assumption of increasing average revenue per customer ("ARPC") across various lines of service. Second, we have assumed that the percentage of residential households in our territory that will have access to a competing cable telephony offering will increase from approximately 33 per cent at the end of 2006 to 45 - 55 per cent by the end of 2007 or into 2008, and eventually beyond 2008 reaching a level of 55 - 60 per cent.

Third, we anticipate being able to offset local revenue declines, and continued long-distance ("LD") revenue declines, with growth from Internet, IT, IPTV and other revenues, although these each have lower contribution to EBITDA margins than the voice telecommunications revenues. Therefore, during 2007 we anticipate being able to generate operating cost savings through productivity measures and synergies of \$75 - 85 million to offset the negative margin impact and other expense pressures from normal inflationary growth.

The major transactions announced on or before February 20, 2007, namely the sale of ADS, the commencement of an NCIB, and the offer to acquire 100% of the outstanding units of Amtelecom, are expected to occur within 90 days of the announcement.

Pension deficit funding for our defined benefit ("DB") pension plans for 2007 will be in the range of \$40 - 50 million and this will be funded out of cash reserves or borrowing. The funding of current service costs for our DB plans and our defined contribution ("DC") plans and the funding of other post employment benefits ("OPEBs") are a component of distributable cash and are estimated to be higher in 2007 compared to 2006, primarily reflective of a maturing DB and OPEBs beneficiary group and general salary increases. The expectations we have stated here are based on our anticipation of the outcome of December 31, 2006 actuarial reviews, which are expected to be complete by mid-2007.

Interest expense for 2007 reflects our anticipation of being able to refinance our existing bank term facilities and short-term financing through issuing longer-term fixed rate debt in the Canadian public market at spreads over current Government of Canada interest rates that are indicative of the current spreads on our outstanding 5 and 10-year bonds, adjusted for issue term.

The normalized level of cash capital taxes, estimated at \$7 million for 2007, reflects a stable capital base and the future enactment of all previously announced provincial capital tax rate reductions or eliminations by the provinces of Ontario, Quebec, New Brunswick and Nova Scotia.

Our capital expenditures will be made as required to support our existing infrastructure and to advance our strategic initiatives. We anticipate that a normal level of capital intensity for 2007 will be in the range of 15 - 15.5 per cent of revenues. In addition, we ended 2006 with cash balances of approximately \$139 million and will use \$35 - 45 million of those funds to accelerate our investment in advancing FTTN further into our network, which will improve Internet speeds and enable the expected expansion of our IPTV footprint.

C. RISKS THAT COULD AFFECT OUR BUSINESS AND RESULTS

This section describes material factors and general risks that could affect Bell Aliant, including the Fund and Holdings LP and all its subsidiaries and controlled entities.

Risk management is fundamental to the long term success of any organization. For us, risk is defined as the level of exposure to uncertainties that the enterprise must understand and effectively manage as we execute our strategies to achieve our business objectives and create value for our stakeholders. We employ an integrated, enterprise-wide framework to identify, assess and manage the risks across the organization.

We are confident about our long-term prospects, but we recognize that we are exposed to a number of risks in the normal course of business that could have a negative effect on our financial condition or results of operations. The risks noted may not be exhaustive as there may be other risks that we are currently unaware of or that we presently consider insignificant to our consolidated operations.

Risks Related to the Business of Bell Aliant

Ability to achieve strategies and plans

We plan to achieve our business objectives in 2007 through the performance of key strategic initiatives under our broad strategy of utilizing our strengths of service, value and community to grow our business to deliver strong cash flows and returns for our stakeholders. We operate in an increasingly competitive marketplace, with competition emerging from VoIP providers, cable TV operators and system integrators. We have identified two key strategic priorities to address the growing competition: 1) to provide a superior customer experience and 2) to drive operational efficiency. We believe a superior customer experience is created by providing exceptional customer service, providing value through our leading products and services, and having strong community involvement. The support of our actively engaged, highly skilled workforce will enable us to deliver on our strategic priorities. Our strategic initiatives are summarized as follows:

- *Customer service* - We are implementing extensive changes in the way we serve our customers. These changes will make it easier for customers to do business with us, when and where it is convenient for them.
- *Providing value through leading products and services* - Providing value is about offering the right products and services to customers at a competitive price. Through our relationship with Bell Canada, we are continually developing and introducing new and innovative products and services that will offer convenience and ease-of-use for consumers and a competitive

advantage for businesses. Through our IT division, xwave, we provide a full suite of information and communications technology ("ICT") services. We have built strong relationships with our large private and public sector customers, and offer industry-specific solutions for health care, justice and public safety, defence and aerospace, and government. We continue to build on these capabilities in our desire to become the integrated ICT solutions provider to enterprise customers.

- *Community* - We have a long-standing commitment to the communities we serve and a history of giving generously to help them thrive socially, culturally and economically. Our more than 10,000 employees live in the hundreds of communities we serve and their community spirit and involvement is a big part of what makes our brands strong. We believe addressing the unique needs of local communities provides us with a competitive advantage.
- *Operational efficiency* - While pursuing top-line revenue growth, we will also aggressively manage our cost structure to grow distributable cash and deliver value to Fund unitholders. Our significant scale, access to leading-edge technology and increased collaboration with Bell Canada all contribute to improving operational effectiveness and reducing costs. Our commercial agreements with Bell Canada specify scheduled cost reductions as Bell Canada implements its own productivity program, resulting in direct savings for us. Additionally, our operations permit the flexibility to develop customized regional approaches to capture further productivity where opportunities exist.
- *Industry consolidation* - We continually explore opportunities for further consolidation in our industry as evidenced by our privatization of Bell Nordiq Income Fund in January 2007, and our announced intention to acquire Amtelecom. The size of our revenue and fixed asset base, in addition to our proven ability to operate successfully in regional markets, provides us with a strong platform for future acquisitions of other regional and rural operations.

These initiatives will have a wide-reaching impact, transforming our customer interactions, our internal processes, our network and our people. If we are unable to attain these initiatives on a timely basis or achieve the desired effect, we may be unable to meet our business objectives. As a result, our financial performance, including our growth prospects, could be negatively affected.

Our plans are also to bring the existing businesses of Bell Nordiq and Amtelecom under the Bell Aliant structure and to realize operating synergies through elimination of certain public reporting issuer costs and combination of common activities as appropriate to our overall business strategy. The combination of existing businesses is a complex task, and there is a risk that the synergies anticipated will not be realized or, if realized, may be delayed

compared to our expectations. As a result, our financial performance could be negatively affected.

Further, our plans to sell ADS and utilize the proceeds to purchase units of the Fund through the facilities of the TSX are subject to a number of risks and uncertainties that include, but are not limited to: finalization of definitive agreements with Yellow Pages Group; satisfaction of all conditions precedent to closing under those agreements; utilization of existing available tax losses and other tax deductions to shelter any gains on the sale; approval of the NCIB by the TSX and the timing of purchases of units through the facilities of the TSX and the price of those purchases.

There is also a risk that, should the pace of our FTTN roll-out be slower than currently contemplated in our business plan, our broadband Internet churn rate could increase beyond our current expectations, thereby adversely affecting our expected number of Internet subscribers and revenues in 2007. The success of the roll-out of our IPTV product to a greater footprint is also dependent on the pace of this build. The pace of FTTN roll-out may be affected by such general risks as weather, supply chain availability and labour relations. It may also be affected by other demands for and the availability of capital.

General economic conditions

There are trends and factors beyond our control that affect our operations and business. Such trends and factors include adverse changes in the conditions in the specific markets for our products and services, the conditions in the broader market for telecommunications services and the conditions in the domestic or global economy generally.

Our performance, and the degree to which our expectations regarding future events are realized, is affected by the general condition of the economy, with demand for services and the amount of use tending to decline when economic growth and retail activity decline. Any slowdown in global economic activity could make the overall economic environment more uncertain and could have an important impact on the performance of the Canadian economy, and the realization of our expectations. It is not possible to accurately predict economic fluctuations and the impact of such fluctuations on our performance.

Increasing competition

In a series of decisions beginning in the late 1970s and ending in 1998, the Canadian Radio-Television and Telecommunications Commission ("CRTC" or the "Commission") opened up competition in all product and services segments in which we operate. The CRTC has also imposed a number of competitor safeguards and marketing restrictions on the operations of our telecommunications business. We therefore face competition for most of the services we provide, with Atlantic Canada having among the most competitive telecommunications markets in North America for local residential service.

In addition to the competition that has existed in parts of Atlantic Canada for several years, recently other competitors have launched competing services or

announced their ability or intention to offer local telephony services in other parts of the territories we serve.

Our strategy includes enhancing services and packages to create compelling value, innovating with customers to provide complete ICT solutions, improving our cost structure to enable greater price competitiveness, and expanding our IP network and capabilities to provide broader access and innovative solutions. Competition, and particularly changes in the competitive landscape, can place these strategies at risk. Increased competition and the introduction of new services by competitors may have an impact on our expected growth or on the pricing of our current services that cannot be predicted.

The competitive footprint served by cable TV competitors may evolve more quickly, and eventually to a larger proportion of our existing territory than we currently expect. If this occurs, our market share and revenues will be negatively impacted.

Local and long distance

In 2006, new competitors began offering local telephone service in a large portion of our marketplace. These competitors have the ability to offer four-services bundles, consisting of telephone, Internet, wireless and TV. Cable competitors are free from telecom regulation and are able to offer local service in unregulated bundles priced to gain market share. We are vigilant and passionate about our customers and continue to pursue their business by offering value, simplicity and competitive pricing. However, there is no assurance that this will mitigate churn and market share erosion resulting from new competitive entrants to our marketplace.

In addition to cable competitors in our local service market, a threat to our customer base continues to be the slow and gradual replacement of local landline service with wireless-only service by certain customers. This puts pressure on revenues for local service and also leads to declining revenues for services and features that are carried on the local network, including Internet and long distance. Also, the upcoming freedom to port telephone numbers between wireless carriers in Canada and between wireline and wireless services may further affect our local and long distance revenues.

The value of long distance as a stand-alone service has diminished but it is an integral component in the customer solution. In the telecommunications industry, long distance is increasingly offered within flat-rate calling plans while alternatives like VoIP, instant messaging and peer-to-peer applications replace traditional calling, contributing to continued price and minute erosion. Competition continues with dial-around and prepaid card providers, traditional primary interexchange carrier competitors and resellers, and most recently, VoIP providers. VoIP will continue to erode traditional long distance as the technology improves and managed VoIP services are launched, making the technology transparent and more attractive to the consumer. We continue to

conduct VoIP technical trials and results will be integrated into our voice evolution strategy.

Internet

Internet penetration continues to grow in our market. As IP becomes standard, we are experiencing an increasingly diverse and global group of competitors ranging from cable providers with excess network capacity to IT companies, equipment providers and system integrators that increasingly bundle telephony components and professional services into solutions at commodity prices. We are challenged by these competitors as they assert pressure on our pricing, revenues and market share. We will continue to build our ICT expertise and to serve our customers holistically, helping them evolve their networks and providing them with world-class industry-specific solutions.

Changing regulations

Bell Aliant is affected by decisions made by the CRTC as was its predecessor company Aliant Telecom Inc. ("Aliant Telecom") prior to the income trust conversion on July 7, 2006. Recent significant regulatory developments that affected and may continue to affect our business are:

- On February 16, 2006, the CRTC issued its decision regarding the disposition of funds in the deferral accounts.

The Commission directed each incumbent local exchange carrier ("ILEC"), including Aliant Telecom, to allocate a minimum of 5 per cent of the accumulated balance in its deferral account to improve access to telecommunications services for persons with disabilities. They directed that the remaining 95 per cent of the funds in the deferral account could be spent on providing broadband to unserved remote areas and subscriber rebates.

On May 15, 2006, Aliant Telecom filed with the Commission its updated deferral account balances and included a proposal to clear the accumulated balances in its deferral account. The filing indicated that Aliant Telecom's accumulated balance had decreased from the CRTC's earlier estimate of \$21.8 million to \$8.2 million, and the annual recurring deferral account obligation had decreased from \$2.2 million to \$(3.2) million. As Aliant Telecom proposed to clear the accumulated balance in its deferral account by partially offsetting the annual recurring shortfall, we did not include broadband investment as part of our September 1, 2006 proposal. Due to a subsequent CRTC decision on the Service Improvement Plan, our balance as of May 31, 2006, in Aliant Telecom's former operating territory stands at \$8.3 million with a recurring obligation amount as of June 1, 2006, of \$(3.2) million. On February 15, 2007, the Commission directed ILECs to cease applying certain charges associated with configurations involving Competitor Digital Network (CDN) and provide refunds consistent with their Terms of

Service. This Decision will affect our deferral account balance however the impact is not yet known.

Bell Canada's proposal to spend the funds in its deferral account included investment initiatives to expand broadband services to communities within our operating territory in Ontario and Quebec. We will cooperate to determine how to effectively complete any such initiatives that may be approved by the Commission. We have agreed to contribute toward the associated costs of such initiatives if it is economically justified and appropriate to do so.

Télébec, Limited Partnership ("Telebec"), a partnership owned through Bell Nordiq, has limited accumulated funds in its deferral account and no annual recurring deferral account obligations. It is expected that Télébec's recurring shortfall will be \$3.3 million by July 31, 2007, and on July 5, 2006, Télébec filed an application with the Commission proposing ways to recover this shortfall. Similarly, on October 18, 2006, we filed a further application with the CRTC to recover the shortfall in the recurring obligation in our deferral account in Aliant Telecom's former operating territory.

Bell Canada, along with the Consumers Association of Canada and National Anti-Poverty Organization, filed leave to appeal applications with the Federal Court of Appeal with respect to the use of funds in the deferral account. On September 22, 2006, the Federal Court granted leave to both applications.

Due to the nature and number of uncertainties which remain surrounding the disposition of accumulated balances in the deferral accounts, we are unable to estimate the impact of the CRTC's decision on our financial results.

- On May 9, 2006, the CRTC began a proceeding to establish the price cap framework to replace the existing framework that ends May 31, 2007.

We filed, along with Bell Canada, and Saskatchewan Telecommunications, a joint proposal reflecting the dramatic changes in the industry. A public hearing was held in October, 2006. The Commission intends to issue a decision on this proceeding by April 30, 2007.

There is a risk that the Commission may not accept the joint proposals to rely on market forces to the maximum extent possible and may continue with limitations on our marketing flexibility, impeding our ability to respond to market forces.

Télébec has not been made party to this ongoing proceeding. Coincident with the issuance of a decision following the proceeding, the Commission will request Télébec to file a submission indicating why the regime set out in the decision should not be applicable to Télébec.

- On March 22, 2006 the Telecommunications Policy Review Panel established by the Federal Government in April 2005 delivered its Telecom Policy Review report, calling for fundamental reform of the Canadian telecommunications regulatory framework. On June 13, 2006, the Federal Government tabled a proposed policy directive with Parliament indicating the Government's intention to direct the Commission to rely on market forces to the maximum extent feasible and to regulate, where necessary, in a manner that interferes with market forces to the minimum extent necessary. On December 18, 2006, the Federal Government's new policy directive came into force, requiring the CRTC to take a more market-oriented approach to regulation of the telecommunications industry.
- On March 29, 2006, the Commission rendered its decision with regards to the review of the price-based regime for small incumbent telephone companies (SILECs), such as NorthernTel, Limited Partnership, a partnership owned through Bell Nordiq. Essentially, the new regime, which will end in 2009, remains the same as before with a few modifications. Before NorthernTel's new regime, local competition was not permitted in its operating territory. Under the new regime, facilities-based local competition will be allowed on a case by case basis. On June 23, 2006, following a request by a competitor, NorthernTel filed with the Commission its Local Competition Implementation Plan requesting that competition be allowed as of July 1, 2007. On December 1, 2006, NorthernTel filed its Local Number Portability and Local Competition Cost Recovery proposal.
- On April 6, 2006, the CRTC ruled on Aliant Telecom's April 2004 application for forbearance of local residential services in 32 exchanges in Nova Scotia and Prince Edward Island which, if approved, would have allowed for greater pricing flexibility and symmetrical regulation. The Commission denied this application and set out a framework to be used for all future local phone service forbearance applications.

We filed a leave to appeal application with the Federal Court of Appeal and on September 22, 2006, the Federal Court granted leave. We, together with Bell Canada and others have also filed a joint appeal to the Governor in Council. On December 11, 2006, the Minister of Industry announced a proposal to review and vary the CRTC's April 6, 2006 ruling to revise the framework to determine when to forbear from regulation of retail telephone services. In light of the proposed Order-in-Council, which if passed in its current form would render the above noted

appeals moot, petitioners have brought motions adjourning each of the appeals until the final Order-in-Council is made.

- On June 30, 2005 the Commission determined that the VoIP services of ILECs would be regulated in the same way as traditional telephone services, subjecting ILECs to certain restrictions on marketing, promotion and bundling.

On May 4, 2006, the Governor in Council referred the VoIP decision back to the Commission for reconsideration.

On September 1, 2006, the Commission re-affirmed VoIP as a telephone service, again declining to deregulate.

On November 15, 2006 Minister Bernier announced that the Government has varied the Commission's decision with regards to VoIP. The Government called on the Commission to deregulate "retail local access independent" VoIP services.

- On May 16, 2006, the Commission ruled that only 50 per cent of the impact of the 2004 Aliant Telecom work stoppage could be excluded from the Quality of Service Rate Adjustment Plan. Rebates totalling \$3.6 million have been issued to customers.

On August 4, 2006, we filed an application with the Commission asking them to review and vary their decision on the basis that 50 per cent was an arbitrary level, the decision found fault by Aliant Telecom where no evidence supported fault, and that the Commission has no mandate to determine labour relations matters.

- On November 9, 2006, the Commission initiated a proceeding to consider redefining "essential services" and to review the classifications and pricing principles for essential and non-essential services provided by incumbent and competitive local exchange carriers and cable companies to other competitors at regulated rates. We are developing a joint proposal with Bell Canada and Télébec which will be consistent with the Telecom Policy Review and Government's direction for the Commission to rely on market forces.
- On January 25, 2007, the CRTC issued orders directing Bell Aliant in Atlantic Canada to substantially modify its tariffs for wholesale Ethernet and ADSL access and transport services. On February 16, 2007, Bell Aliant and Bell Canada jointly filed a 'review and vary application' with the Commission to obtain stay of the orders and to rescind the orders. We are arguing that the Commission made a series of errors in law, jurisdiction and policy, and that an immediate stay must be granted to prevent irreparable harm to the companies, and that it is appropriate to rescind the orders until the completion of proceedings initiated by the

CRTC to review the regulatory framework for wholesale services and definition of essential services.

Collectively, the recent CRTC orders and proposed changes should eventually serve to lessen the regulatory burden and are expected to improve our promotional flexibility and ability to compete effectively. However, the pace of this change or whether it will have any positive financial affect on our business is uncertain.

Reliance on systems

We are reliant on systems as they enable the provision of services to customers, and the management of customer relationships, billings and inventory. These systems are made up of many integrated parts consisting of cable, equipment, buildings and towers, IT equipment, IT software and related data. Operations depend on how well these components are protected against damage from fire, natural disaster, power loss, hacking, computer viruses, disabling devices, deliberate acts of vandalism, acts of war or terrorism, and other events. Any of these events could cause operations to be shut down indefinitely. Our operations also depend on timely replacement and maintenance of our networks and equipment. Our systems are connected with the systems of other telecommunications carriers, and we rely on them to deliver some of our services. Any of the events mentioned, as well as labour disruptions, bankruptcies, technical difficulties or other events affecting the networks of these other carriers, could be detrimental to both customer relationships and operating results.

To mitigate the impact of this risk, we have developed disaster recovery plans, including redundancies that have been built into the network to reduce network downtime arising from natural and other disasters; however, there can be no assurance that these plans will be effective.

In addition, many aspects of our business depend to a large extent on various IT systems and software, which must be improved and upgraded regularly and replaced from time to time. Implementing system and software upgrades and conversions is a very complex process, which may have several adverse consequences including billing errors and delays in customer service. Should adverse consequences occur, these events could significantly damage our customer relationships and business and have a material and negative effect on our results of operations.

Changing technology

The telecommunications industry is impacted by rapidly evolving technology and the related changes in customer demands, products and service capabilities, and prices. Technological developments are also shortening product life cycles and facilitating convergence of different segments of the increasingly global information industry. Specifically, VOIP, substitution of wireline services with wireless, and other evolving technologies will increase the competition we face and could negatively affect future revenues. Our

future success will be impacted by our ability to anticipate, invest in, and implement new technologies with the service level and prices that customers demand. Technological advances may also affect our cash flow by shortening the useful life of some of our assets. There can be no assurance that our existing technologies will satisfy future customer needs, that our existing technologies will not become obsolete in light of future technological developments, or that we will not have to make additional capital expenditures to upgrade or replace our technology. In addition, technological advances may well emerge that could reduce the costs of plant and equipment, thereby facilitating entry by potential competitors.

We periodically assess the useful lives of our capital investments in light of our expectations of technological advances and make changes as required.

Expenditures, capital and demand for services

As we update our networks, products and services to remain competitive, we may be exposed to incremental financial risks associated with newer technologies that are subject to accelerated obsolescence. To the extent that we fail to make the expenditures on new and existing capital programs, we may cease to be competitive. However, if such capital expenditures are made, we may risk incurring substantial expenditures to acquire assets with little commercial or economic value.

An increasingly important driver for network and infrastructure investments is the growth of Internet traffic. This traffic is driven by residential and business Internet usage and has overtaken the volume of voice telephony traffic on many routes. It is uncertain to what extent this traffic will continue to exhibit high growth rates as high-speed Internet services are deployed and bandwidth intensive applications, such as video, are increasingly downloaded by users.

Achieving synergy and productivity targets

Our strategies and priorities require us to continue to transform our cost structure. Accordingly, we are continuing to implement several productivity improvements and initiatives to reduce costs while containing our capital expenditures. Our objectives for cost reduction/productivity improvements and synergies from the creation of Bell Aliant are aggressive and there is no assurance that these initiatives will be successful in reducing costs. There will be a material and negative effect on our profitability if we do not successfully implement these cost reduction initiatives and productivity improvements and manage capital expenditures while maintaining the quality of our service. Each year between 2002 and 2005, Bell Aliant and its predecessor companies had to reduce the price of certain services that are subject to regulatory price caps and may be required to do so again in the future. We have also reduced our prices for some services that are not regulated in order to remain competitive, and may have to continue doing so in the future. There would be a material and negative effect on our profitability if factors, such as increasing competition or regulatory actions, result in lower revenues and we cannot

reduce our expenses at the same rate. Many productivity improvements and cost reduction initiatives require capital expenditures to implement systems that automate or enhance our operations. There is no assurance that these investments will be effective in delivering the planned productivity improvements and cost reductions. Improved customer service is critical to increasing customer retention and average revenue per customer ("ARPC"). It may, however, be difficult to improve customer service while significantly reducing costs. If we are unable to achieve either or both of these objectives, it could have a material and negative effect on our results of operations.

Relationship with Bell Canada; allocation of business opportunities

Bell Canada and certain of its affiliates and associates have substantial global operations and greater financial, technical and operational resources than us. We have entered into a series of long term commercial agreements with Bell Canada. In the event that the commercial relationship management agreement were to be terminated, we, Bell Canada, and respective affiliates, associates or operating companies could thereafter compete with each other.

In addition, we have access to technical, operational and human resources from Bell Canada and its affiliates under formal arrangements. Access to those resources is not exclusive and there is no guarantee that current arrangements will continue to be available indefinitely in their present form, or that the conditions under which these have been secured will not change.

Pension plan funding

We maintain DB pension plans that have solvency funding deficiencies. The plans are exposed to general future valuation risk and required funding levels for 2007 and beyond may change as required actuarial valuations are completed. If the return on plan assets, interest on the obligation, or actual experience of the plans are better or worse than anticipated, valuations can result in either lower or higher minimum required contributions.

Pension funding relief measures introduced in the May 2006 Federal Budget increased the funding period of solvency deficits from five years to ten years under certain conditions. We estimate that adopting the new pension regulations, which were enacted in November 2006, will reduce our required contributions in 2007 by approximately \$20 million.

Higher cash contributions are gradually leading toward an improved funding position for our DB pension plans. As this occurs, management is shifting the asset mix and strategies in the pension plan funds to mitigate the impact that future interest rate changes and investment returns will have on the plans' funded position. As well, most of our DB pension plans are closed to new entrants, placing a cap on the future growth of these obligations.

Liquidity risk

If actual results differ from our expectations or if the assumptions in our business plan change, we may have to raise more funds than expected by

issuing debt, raising equity capital, or selling or otherwise disposing of assets. Financing through equity offerings would dilute the holdings of existing equity investors. An increased level of debt financing could lower our credit ratings, increase our borrowing costs and give us less flexibility to take advantage of business opportunities.

Our ability to raise financing depends on our ability to access the capital markets and the commercial loan market. The cost of funding depends largely on market conditions, and the outlook for our business and credit ratings at the time capital is raised. If our credit ratings are downgraded, our cost of funding could significantly increase. In addition, participants in the capital and commercial loan markets have internal policies limiting their ability to invest in, or extend credit to, any single borrower or group of borrowers or to a particular industry.

If we cannot raise the capital we need, we may have to limit our ongoing capital expenditures, limit our investment in new businesses, or sell or otherwise dispose of assets. Any of these possibilities could have a material and negative effect on our cash flow from operations and growth prospects.

Leverage and restrictive covenants

We have debt service obligations in connection with the trust indentures for the issuance of debt by our operating subsidiaries and in their respective lines of credit. The degree to which we are leveraged could have important consequences including:

- our ability to make distributions may be limited if we are unable to meet the financial tests provided in these indentures and lines of credit;
- our ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future is limited by the restrictive covenants of these indentures and lines of credit;
- a substantial portion of our cash flow from operations may be dedicated to the payment of the principal and interest on indebtedness, thereby reducing funds available for future operations;
- certain of our borrowings are at variable rates of interest, which exposes us to the risk of increased interest rates; and
- we may be more vulnerable to economic downturns and be limited in our ability to withstand competitive pressures.

These trust indentures and lines of credit also contain restrictive covenants that limit management's discretion with respect to certain business matters. Although we are currently in compliance with our restrictive covenants, failure

to comply with the obligations in the trust indentures and lines of credit could result in a default that may require Bell Aliant to repay its debt in full.

Federal Government's announcement on income trust

On October 31, 2006, the Federal Government announced significant changes to the tax treatment of income trusts. For income trusts that were publicly traded before November 2006, such as the Fund,, these changes, which generally include the taxation of certain trust income at corporate rates and the taxation of certain distributions made to unitholders as if they were dividends from a corporation, will be delayed to 2011. All else being equal, the imposition of this tax will result in less cash being available to pay distributions from the Fund. The Government specified that the transitional delay to 2011 in implementing the new rules is subject to the possible need to "foreclose inappropriate new avoidance techniques". For example, the Government stated that while there is now no intention to prevent existing income trusts from normal growth during that transitional period, any undue expansion of an existing income trust could cause this to be revisited. The federal Government did release guidelines, in December 2006, on the meaning of "undue expansion", which we expect we will be able to operate within and which have clarified that each of the privatization of Bell Nordiq and the acquisition of Amtelecom will not violate these guidelines.

However, the exact legislation that will implement these measures has not been made public so there is uncertainty as to the reach and application of this announcement. It is therefore possible that the anticipated new tax measures for existing income trusts may be different from what was announced and which could result in, amongst other things, the earlier application of these measures.

BCE has governance rights

In connection with the Arrangement under which Bell Aliant was created on July 7, 2006, we entered into a security holders' agreement with BCE and Bell Canada. Pursuant to the terms of the security holders' agreement, for so long as BCE, directly or indirectly, holds not less than 20 per cent of the units of the Fund on a fully diluted basis, 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 nomination of trustees of the Fund and the appointment of the directors of the Fund's material operating subsidiaries. BCE and its affiliates are entitled to appoint up to a majority of the directors of the Fund's material operating subsidiaries and nominate a majority of the trustees of the Fund for so long as BCE, directly or indirectly, holds not less than 30 per cent of the units of the Fund on a fully diluted basis and our significant commercial agreements 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 per cent of the units of the Fund on a fully diluted basis, then BCE will be entitled to appoint its proportionate share of the directors of the Fund's material operating subsidiaries and the trustees of the Fund based on its fully diluted direct and indirect ownership units of the Fund. In any event, BCE will be entitled to nominate two directors to the board of Bell Aliant Regional Communications Holdings Inc., Bell Aliant Holdings LP's general partner, 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. As a result of this, the Fund and its operating entities may be restricted from entering into or carrying out transactions or activities that they may otherwise wish to do.

Reliance on key personnel and labour relations

Skilled and experienced telecommunications personnel are in high demand as a result of the strong growth and competitiveness of the telecommunications market. We may find it increasingly difficult to attract and to retain the necessary resources to meet our needs. It is possible that additional incentives may be required and that certain business initiatives may be at risk if skill shortages occur.

Approximately 49 per cent of our employees are represented by unions and are covered by collective agreements. Renegotiating collective agreements could result in higher labour costs and work disruptions, including work stoppages or work slowdowns. There can be no assurance that if a strike or other work disruption occurs, it would not adversely affect service to our customers. In addition, work disruptions at our service providers, including work slowdowns and work stoppages due to strikes, could significantly hurt our business, including our customer relationships and results of operations.

On July 6, 2006, Télébec announced that it had reached an agreement in principle with the Teamsters Quebec 1999, the union representing 181 Télébec technicians. The members of Teamsters Quebec 1999 ratified this agreement on October 5, 2006.

The collective agreement between Bell Aliant and the CEP representing approximately 700 Craft, Clerical and Operators in Ontario and Quebec expires in November 2007. The collective agreement between Bell Aliant and the CEP representing approximately 3,500 Craft, Clerical and Operators in the four Atlantic Provinces will expire on December 31, 2007.

Legal contingencies and changes in laws

We review all legal proceedings and make an assessment of the likelihood of a negative outcome and the estimated impact. Losses are accrued for when a potential loss is deemed probable and its impact can be reasonably estimated. However, pending or future litigation could still have a material and negative effect on results of operations, cash flows and financial position in the period

in which the judgment or settlement occurs. Significant legal contingencies are described in the notes to our quarterly and annual financial statements.

In addition, the adoption of new laws, changes in laws or changes in their interpretation, including changes in tax laws or rates, could materially or negatively affect our results of operations, cash flows and financial position.

Risks Related to the Fund

The following is a discussion of risks that are unique to income trusts and to the Fund and its units specifically.

Dependence on Holdings LP

The Fund is an open-ended, limited purpose trust, and is entirely dependent on distributions from Holdings LP to make its distributions. There can be no assurance regarding the Fund's ability to make distributions, which is dependent upon the financial performance of Holdings LP.

Unpredictability and volatility of unit price

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

Nature of Fund units

The Fund units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (the Act) and are not insured under the provisions of the Act or any other legislation. Furthermore, we are not a trust company and, accordingly, are not registered under any trust and loan company legislation as we do not carry on or intend to carry on the business of a trust company. In addition, although we qualify as a "mutual fund trust" as defined by the Income Tax Act, we are not a "mutual fund" as defined by applicable securities legislation.

The Fund units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Fund units do not represent a direct investment in the business of Holdings LP and should not be viewed by investors as shares or interests in such entity or any other company. The Fund units do not represent debt instruments and there is no principal amount owing to unitholders. As holders of Fund units, unitholders do not have the statutory

rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. Each Fund unit represents an equal, undivided, beneficial interest in the Fund. The price per unit is a function of our anticipated distributable cash at any time, which, in turn is dependent on the distributable cash distributed upstream by Holdings LP.

Cash distributions are not guaranteed and will fluctuate with the performance of the business

There can be no assurance regarding the amounts of cash distributions distributed upstream by Holdings LP and, thus, eventually available for the Fund to distribute. The actual amount of distributions paid in respect of the Fund units depends upon numerous factors, all of which are susceptible to a number of risks and other factors beyond the Fund’s control and that of Holdings LP. Distributions are not guaranteed and will fluctuate with the performance of Holdings LP. Holdings LP has the discretion to establish cash reserves (including regulatory capital reserves) for the proper conduct of its business. Adding to these reserves (including regulatory capital reserves) in any year would reduce the amount of distributable cash and, hence, of cash available for distributions in that year. Accordingly, there can be no assurance regarding the actual levels of the Fund’s distributions.

Structural subordination of the Fund units

The Fund units are subordinated to the existing credit facilities and most of the other indebtedness and liabilities of Holdings LP.

Capital investment

The timing and amount of capital expenditures by Holdings LP directly affects the amount of distributable cash available for distribution, including, ultimately, the cash available for distributions to Fund unitholders. Such distributions may be reduced, or even eliminated, at times when trustees deem it necessary to make significant capital or other expenditures.

Limitation on Non-Resident ownership

The Fund’s Declaration of Trust imposes various restrictions on unitholders. Non-resident unitholders are prohibited from beneficially owning more than 45 per cent of Fund units. In addition, our Declaration of Trust contains a provision prohibiting non-Canadians (for purposes of the Broadcasting Act, the Radio communication Act and the Telecommunications Act) from owning more than 20 per cent of the Fund units. These restrictions may limit (or inhibit the exercise of) the rights of certain persons, including non-residents and non-Canadians, to acquire Fund units, to exercise their rights as unitholders and to initiate and complete take-over bids in respect of the Fund units. As a result, these restrictions may limit the demand for Fund units from certain unitholders and thereby adversely affect the liquidity and market value of the Fund units held by the public.

Dilution

The Fund's Declaration of Trust authorizes us to issue an unlimited number of Fund units for the consideration and on those terms and conditions as are established by the trustees without the approval of any unitholders. Any further issuance of Fund units will dilute the interests of existing unitholders.

The acceptance of our proposal to increase our ownership interest and to take Bell Nordiq private resulted in the issuance of 13.5 million Fund units on January 30, 2007.

Income tax

Under Canadian income tax laws, the Fund is considered a "mutual fund trust" and the rules relating to the treatment of mutual fund trusts may change in the future. This could have an adverse material effect on us and our unitholders.

The Fund's Declaration of Trust requires us to distribute a sufficient amount of net income and net realized capital gains in order to eliminate our liability for tax under Part I of the Canadian Income Tax Act. If the net income and net realized gains are greater than the cash available for distribution for a given year, the excess will be distributed to unitholders in the form of additional Fund units.