Bell Aliant Regional Communications Inc.
ANNUAL INFORMATION FORM
for the year ended December 31, 2010

March 31, 2011

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GENERAL MATTERS

On January 1, 2011, Bell Aliant Regional Communications Income Fund (the **Fund**) completed a plan of arrangement that resulted in the conversion of the Fund from an income trust structure to a corporate structure, at which time the Fund was dissolved and terminated and was succeeded by **Bell Aliant Inc**. (the **Conversion**). In connection with the Conversion, certain of the subsidiary entities of the Fund were amalgamated or dissolved and terminated. See "General Development of the Business – Conversion" for further details.

Accordingly, throughout this Annual Information Form (**AIF**) , unless otherwise specified or the context otherwise indicates, for the period post December 31, 2010, "we", "us", and "our" refer to Bell Aliant Regional Communications Inc. (**Bell Aliant GP**) resulting from the Conversion, and, for the period prior to January 1, 2011, refer to its predecessor entity, Bell Aliant Regional Communications Holdings, Limited Partnership (**Bell Aliant Holdings LP**). Certain capitalized bolded terms used throughout this AIF have the meanings set forth in the "Glossary".

In 2010, we consolidated the operations of (i) Bell Aliant LP, (ii) Télébec LP and NorthernTeL LP, and (iii) other subsidiary partnerships and corporations. We will consolidate the operations of (i) Bell Aliant Regional Communications, Limited Partnership (**Bell Aliant LP**), our main operating subsidiary, which carries on the Bell Aliant Business and certain other operations, (ii) Bell Aliant Preferred Equity Inc. (**Prefco**), (iii) the Bell Nordiq Partnerships and (iv) other subsidiary partnerships and corporations. We are a reporting issuer under securities laws in each Province of Canada (other than Ontario). Bell Aliant Inc. is also a reporting issuer under Canadian securities laws in each Province of Canada, and its AIF, financial statements and notes, management's discussion and analysis (**MD&A**) and other continuous disclosure documents are posted on the System for Electronic Document Analysis and Retrieval (**SEDAR)** website of the Canadian securities administrators (www.sedar.com). Under the policies of the Canadian securities administrators, our financial statements and notes and MD&A will also be posted on the SEDAR website under Bell Aliant Inc.'s SEDAR profile. Bell Aliant LP and Prefco are also reporting issuers, but have obtained exemptive relief whereby they may satisfy certain of their continuous disclosure obligations under Canadian securities laws by simultaneously filing, under their SEDAR profiles, among other things, copies of continuous disclosure documents that we and Bell Aliant Inc. are required to file under Canadian securities laws. For information about Bell Aliant Inc., readers are referred to the consolidated financial statements and notes and other continuous disclosure documents of Bell Aliant Inc.

The information contained in this AIF is dated as of March 31, 2011 unless otherwise indicated. Bell Aliant Holdings LP's financial information contained in this AIF is derived from its consolidated financial statements and notes as at and for the year ended December 31, 2010. Unless otherwise indicated, all amounts are expressed in Canadian dollars and references to "$" are to Canadian dollars.

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This document contains forward-looking information related to our future financial condition and results of operations, and anticipated future events and circumstances, including in particular as described under "Dividends and Dividend Policy". The purpose of this forward-looking information is to provide the reader with information about our expectations, plans and priorities for fiscal 2011 or other future periods. Readers are cautioned that such information may not be appropriate for other purposes. This information is based on our current expectations and estimates about the markets in which we operate and our beliefs and assumptions regarding these markets. Unless otherwise indicated, forward-looking information in this AIF describes our expectations as of March 31, 2011. In some cases, forward-looking information may be identified by words such as "anticipate", "believe", "could", "expect", "plan", "seek", "may", "intend", "will", "forecast" and similar expressions.

This information is subject to important risks and uncertainties, which are difficult to predict, and assumptions, which may prove to be inaccurate. Some of the risk factors which could cause results or events to differ materially from current expectations include but are not limited to: increasing competition; management's ability to achieve strategies and plans, including expansion of fibre-to-the-home (**FTTH**) and managing our cost structure; general economic conditions; the implementation of revised pension funding rules, pension valuation and investment risk; reliance on systems; changing technology; required operating and capital expenditures, and demand for our services; our business relationship with BCE Inc. (**BCE**) and Bell Canada and the allocation of business opportunities; changing regulations; dependence on key suppliers; maintenance of credit ratings; leverage and restrictive covenants; BCE's governance rights; reliance on key personnel and labour relations, including the requirement for effective business continuity planning; legal contingencies and changes in laws, including laws pertaining to privacy and security of customer information; success of acquisitions and dispositions and tax related risks. Some of these risk factors are largely beyond our control.

Should any risk factor affect us in an unexpected manner, or should assumptions underlying the forward-looking information prove incorrect, the actual results or events may differ materially from the results or events predicted. Unless otherwise indicated, forward-looking information does not take into account the effect that transactions or non-recurring or other special items announced or occurring after this information is provided may have on our business. All of the forward-looking information reflected in this document and the documents referred to within are qualified by these cautionary statements. There can be no assurance that the results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences for us. Except as may be required by Canadian securities laws, we disclaim any intention and assume no obligation to update or revise any forward-looking information, even if new information becomes available, as a result of future events or for any other reason. Readers should not place undue reliance on any forward-looking information.

Refer to the “Assumptions made in the preparation of forward-looking information” and “Risks that could affect our business and results” sections in the Bell Aliant Holdings LP MD&A for the year ended December 31, 2010 (which is available at www.bellaliant.ca as well as www.sedar.com and is incorporated by reference herein), and the “Risk Factors” section of this AIF for further discussion of these and other assumptions and risk factors.

See also the “Forward-looking information” section of Bell Aliant Inc.’s news release dated February 8, 2011, relating to 2010 earnings results for the Fund and Bell Aliant Holdings LP and 2011 financial guidance for Bell Aliant Inc. and Bell Aliant GP, which is available at www.bellaliant.ca as well as www.sedar.com.

CORPORATE STRUCTURE

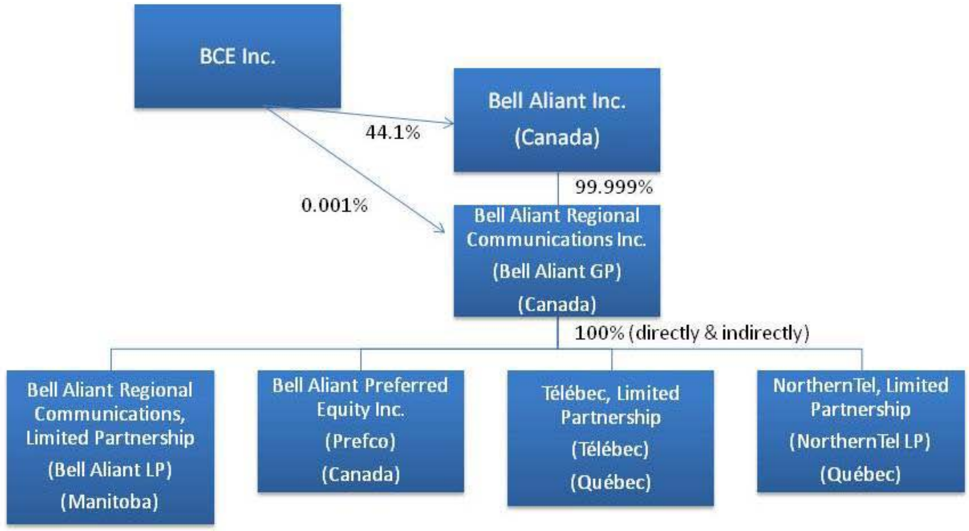
Name, Address and Formation

Bell Aliant GP was formed under the CBCA on January 1, 2011 upon the amalgamation of the predecessor Bell Aliant Regional Communications Inc., Bell Aliant Holdings Inc. and 7538332 Canada Inc. The amalgamation was part of the plan of arrangement that effected the Conversion. See “General Development of the Business - Conversion” for further details of the Conversion.

Bell Aliant GP’s registered and head office is located at 7 South Maritime Centre, 1505 Barrington Street, Halifax, Nova Scotia, B3J 2W3.

Intercorporate relationships

The following diagram depicts significant entities within the **Bell Aliant Group**. (See also General Development of the Business - Conversion).



Certain subsidiaries, whose total assets individually represent less than 10 per cent of the consolidated assets of Bell Aliant GP, and whose total sales and operating revenues individually represent less than 10 per cent of the consolidated sales and operating revenues of Bell Aliant GP, and whose total assets and sales and operating revenues, respectively, in aggregate, represent not more than 20 per cent of such consolidated amounts of Bell Aliant GP, have not been disclosed above.

BCE retains the right to nominate or appoint, as applicable, a majority of the directors of Bell Aliant Inc. and Bell Aliant GP, subject to certain conditions, for so long as BCE owns not less than 30 per cent of the outstanding common shares of Bell Aliant Inc. and certain commercial agreements between Bell Aliant LP and Bell Canada are in place. See "Other Material Agreements" and "Interest of Management and Others in Material Transactions" for more information about BCE's ownership interest in Bell Aliant Inc. and Bell Aliant GP and other rights.

GENERAL DEVELOPMENT OF THE BUSINESS

Conversion

On January 1, 2011, the Fund completed the Conversion pursuant to a plan of arrangement under Section 192 of the CBCA. Under the plan of arrangement, all of the Fund Units and Exchangeable LP Units were exchanged for Bell Aliant Inc. common shares on a one-for-one basis. Consequently, the former Fund unitholders' proportionate interests in Bell Aliant Inc., including the 44.1 per cent ownership interest held by BCE and Bell Canada (on an as-converted basis), were effectively unchanged from their previous interests in the Fund.

As a result of the Conversion, the former Fund unitholders and BCE and Bell Canada, the former holders of Exchangeable LP Units, became the sole shareholders of Bell Aliant Inc. Bell Aliant Inc. owns all but one of the Voting Common Shares of Bell Aliant GP. BCE holds, indirectly, one Voting Common Share of Bell Aliant GP. In turn, Bell Aliant GP and its wholly-owned subsidiary, 6583458 Canada Inc., hold all of the partnership interests in Bell Aliant LP, Télébec LP and NorthernTel LP, which continue to carry on their respective businesses. The Fund, Bell Aliant Holdings Trust, Bell Nordiq Trust and Bell Aliant Holdings LP were dissolved and terminated under the plan of arrangement.

Under International Financial Reporting Standards (which are applicable for financial periods beginning on or after January 1, 2011), Bell Aliant GP will consolidate the operations of (i) Bell Aliant LP, which carries on the Bell Aliant Business, (ii) Prefco, (iii) the Bell Nordiq Partnerships and (iv) other subsidiary partnerships and corporations.

Three Year History

2008 Highlights

On January 1, 2008, Bell Nordiq Trust transferred its 36.7 per cent limited partnership interest in each of the Bell Nordiq Partnerships to Bell Aliant Holdings LP in return for 8,246,429 Holdings Class 2 LP Units. Subsequently, the Bell Nordiq Partnerships each issued one Class B limited partnership unit to Bell Nordiq Trust for nominal cash consideration.

On February 1, 2008, Bell Aliant LP acquired the assets and operations of Kenora Municipal Telephone System for approximately $27 million.

During the second quarter of 2008, we announced that we intended to eliminate the wholesale mobility products business of Atlantic Mobility Products Limited Partnership (AMP), a wholly-owned subsidiary of Bell Aliant GP, following the discontinuance of a significant contract AMP held with Bell Mobility.

Also during the second quarter, Bell Mobility in-sourced a significant portion of the operations of its wireless business in Atlantic Canada that had previously been outsourced to Bell Aliant LP since July 2006. This resulted in a reduction of approximately $15-$20 million of annualized operating revenues to Bell Aliant LP going forward.

On July 9, 2008, we announced that Stephen Wetmore, President and Chief Executive Officer, would be leaving his position at the end of the year. On October 27, 2008, we announced that Karen Sheriff had been appointed President and Chief Executive Officer, effective November 3, 2008.

On August 5, 2008, we announced that CAE Professional Services (Canada) Inc. (**CAE**) had signed an asset purchase agreement to acquire Bell Aliant LP's Defence, Security and Aerospace business unit, which was then operated by the xwave division of Bell Aliant LP. The transaction closed on May 1, 2009. The proceeds on closing were $16.3 million in cash and $7.6 million in receivables from CAE related to post-closing balance sheet adjustments, with an additional $8.5 million of proceeds contingent upon the occurrence of certain future events, for potential total proceeds of $32.4 million. A pre-tax gain on sale of $1.7 million was recorded in the second quarter of 2009, which was reflected in net loss from discontinued operations. In December 2010, we decreased the $7.6 million receivable by $4.6 million to $3.0 million to recognize a provision for estimated loss on settlement of the post-closing balance sheet adjustments, and accordingly, reduced the gain recognized on sale by an equivalent amount. Two contingent payments totalling $3.5 million were not triggered and expired during the year.

2009 Highlights

At the beginning of 2009, we set our five strategic objectives that formed the foundation for our strategy going forward. These were: (1) improve the customer experience, (2) retain customers, (3) grow broadband, (4) reset our cost structure, and (5) engage employees. We made progress in all areas throughout 2009, removing over $150 million of operating and capital costs, improving our service metrics across all regions, and increasing distributable cash by 8 per cent over 2008 levels.

In the fourth quarter of 2008, we commenced a significant restructuring initiative and on January 12, 2009, announced a new organizational structure. The restructuring affected all levels of management across Bell Aliant Holdings LP, which resulted in the reduction of approximately 500 management positions, representing about 15 per cent of management or 5 per cent of the overall workforce by the end of the first quarter of 2009.

In 2008, the Department of Finance released proposed amendments to the Tax Act to facilitate the conversion of existing income trusts, such as the Fund, into corporations on a tax-deferred basis. The final amendments were enacted into law on March 12, 2009.

On April 28, 2009, Bell Aliant LP filed a new medium-term note shelf prospectus that is available for future medium-term note issuances for a 25-month period. On May 15, 2009, Bell Aliant LP issued $350 million principal amount of medium-term notes under its shelf prospectus. The net proceeds were used primarily to repay bank debt.

On June 1, 2009, we concluded a share purchase agreement for Abilis Solutions Inc. to acquire 100 per cent of the outstanding shares of xwave New England Corp. (xwave New England) for a sale price of $4.9 million.

On July 7, 2009, we announced that, with support from the Government of New Brunswick, we would be the first in Canada to cover an entire city with fibre-to-the-home (FTTH) technology. We announced that we would invest $60 million to serve 70,000 homes and businesses in Fredericton and Saint John by mid 2010. Our FTTH service, *FibreOP*™, gives customers access to an advanced broadband network delivered through 100 per cent fibre-optic technology connected directly to their homes.

On October 15, 2009, we announced the redesign of our customer contact centre operations in Atlantic Canada. The new organization reduced the configuration of 16 contact centres to 5. Approximately 215 unionized employees were offered roles within one of the five remaining locations. Approximately 175 employees chose to leave the organization with a voluntary severance offer in early 2010.

On November 1, 2009, we completed a share purchase agreement whereby the senior leaders of Innovatia Inc. acquired all of its outstanding shares. We received $1.5 million of proceeds on closing.

2010 Highlights

On February 3, 2010 we announced that we would more than double our 2009 spending on fibre technology in 2010 to carry our *FibreOP* Internet and TV services. In May 2010 we announced that we planned to accelerate our FTTH plan and would invest a further $350 million over 2011 and 2012 to pass over 600,000 homes or businesses, or one third of our competitive footprint, by the end of 2012. At the end of December 2010 we passed 138,000 homes and businesses with the technology. By the end of 2010, announcements had been made in partnerships with the governments of New Brunswick, Nova Scotia and Prince Edward Island that *FibreOP* services would be coming to certain cities in those provinces.

On April 27, 2010 we announced that a tentative Collective Agreement had been reached with the Communications, Energy and Paperworkers Atlantic Communications Council (CEPACC), representing close to 3,000 Bell Aliant LP unionized employees in Atlantic Canada. The agreement was not ratified by a vote in June 2010. Subsequently a revised agreement was reached which was ratified in September 2010, giving employees job security in exchange for a freeze on wages beginning in 2012 and other consideration.

On May 4, 2010 the Fund announced plans to recommend the Conversion to unitholders of the Fund. At that same time the Fund announced that it expected the dividend to shareholders of Bell Aliant Inc. beginning in 2011 to be $1.90 per year. The Conversion was approved by unitholders at the Fund's Annual and Special Meeting on June 16, 2010. The Conversion was completed on January 1, 2011. See "General Development of the Business – Conversion" for more details on the Conversion.

In September 2010, Bell Aliant LP issued $350 million in medium term notes and used the net proceeds to redeem $345 million of 4.72% medium term notes due to mature in September 2011.

On October 26, 2010 we announced that an agreement had been reached to sell Bell Aliant LP's xwave business, in its entirety, to Bell Canada for a purchase price of $40 million. The transaction closed on January 1, 2011.

With the governments of Canada and Ontario and Nishnawbe Aski Nation (NAN), during 2010 we jointly announced the Northwestern Ontario Broadband Expansion Initiative. This initiative will bring a state-of-the-art backbone fibre optic network to 26 NAN communities in Ontario's far north, enabling speeds up to 50 times faster than current systems. This network build will take place over four years at an estimated cost of $81 million, $55 million of which will be jointly funded by the governments of Canada and Ontario. We also announced that we and Bell Canada had been selected by the Eastern Ontario Warden's Caucus to build a core backbone fibre network in Eastern Ontario. This network build will cost approximately $82 million, $55 million of which will be jointly funded by the governments of Canada and Ontario. These partnerships allow us to expand our telecommunications infrastructure to areas where we might not normally be able to given that they are remote, complex, and costly to service.

On December 23, 2010 we announced the completion of an agreement with Newfoundland Power Inc. and Fortis Inc. whereby we acquired an interest in certain poles for approximately $57 million. We expect that the transaction will reduce our cash outlays for pole costs in future periods and improve EBITDA.

Recent Developments

On February 8, 2011, we issued our 2011 financial guidance in a news release. Information on our 2011 outlook is contained in the release and in our MD&A for the year ended December 31, 2010 under the heading "2011 financial guidance" which is available on SEDAR at www.sedar.com.

On February 22, 2011, we announced that Prefco would issue $250 million of Cumulative 5-Year Rate Reset Preferred Shares, Series A (**Series A Preferred Shares**) at a price of $25.00 per share. These 10,000,000 Series A Preferred Shares were issued on March 15, 2011. The underwriters exercised an over-allotment option to purchase an additional 1,500,000 Series A Preferred Shares at the offering price and on March 25, 2011 an additional $37.5 million of Series A Preferred Shares were issued, bringing the aggregate gross proceeds to $287.5 million. The Series A Preferred Shares will pay cumulative dividends of $1.2125 per share per annum, as and when declared by the board of directors, initially yielding 4.85 per cent, payable quarterly (with the first quarterly dividend to be paid on June 30, 2011), for the initial five year period ending March 31, 2016. The dividend rate will be reset on March 31, 2016 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 2.09 per cent. The Series A Preferred Shares will be redeemable by the issuer on or after March 31, 2016, in accordance with their terms. Holders of the Series A Preferred Shares will have the right, at their option, to convert their shares into Cumulative Floating Rate Preferred Shares, Series B (**Series B Preferred Shares**) subject to certain conditions, on March 31, 2016 and on March 31 every five years thereafter. Holders of the Series B Preferred Shares will be entitled to receive cumulative quarterly floating rate dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 2.09 per cent. Bell Aliant GP has fully and unconditionally guaranteed the payment of dividends, if, as and when declared by the board of directors of Prefco and, if applicable, the redemption price of the Series A and Series B Preferred Shares and amounts due on such shares on the liquidation, dissolution or winding-up of Prefco. The proceeds of the offering were partially used to make a $200 million voluntary lump sum contribution to Bell Aliant LP's defined benefit pension plans with the remainder used for general corporate purposes including the repayment of short-term borrowing under Bell Aliant LP's commercial paper program.

DESCRIPTION OF THE BUSINESS

General

We are one of North America's largest regional communications service providers and we have been serving customers for over a century. We offer a complete range of innovative information, communication and technology services including voice, data, Internet, video, wireless and valued-added business solutions to our customers across Atlantic Canada, Ontario and Québec.

Our principal operations are carried on by Bell Aliant LP, Télébec LP, and NorthernTel LP. We consolidate these and other subsidiary partnerships and corporations in our financial statements We operate as one reportable segment, which represents the manner in which we are organized and managed for planning, assessing performance and making resource allocation decisions.

The following table shows our operating revenues for the years ended December 31, 2010 and 2009.

For the year ended December 31 *(millions of $)*		2010		2009	% change
Local and access	$	1,298.4	$	1,356.9	(4.3)
Long distance		393.3		424.6	(7.4)
Data & Internet		832.1		828.0	0.5
Wireless		91.3		88.8	2.8
Other revenues		170.0		171.9	(1.1)
Operating revenues	**$**	**2,785.1**	**$**	**2,870.2**	**(3.0)**

Products and Services

Local and access

Our local and access revenue is earned primarily through the provision of network access services (NAS), along with enhanced service features, contribution payments and competitor network access revenues.

Long distance

Long distance revenue is earned through toll and long distance terminating services.

Data and Internet

Data and Internet revenue is earned through the provision of data access, data circuits, high-speed and dial-up Internet service, managed network services, Internet Protocol television (IPTV) and enhanced services and applications.

Wireless

Wireless revenue is earned through providing cellular, paging and mobile radio services over digital wireless networks in our Télébec, NorthernTel and KMTS branded territories in Québec and Ontario.

Other revenues

Other revenues consist primarily of terminal rentals and sales, support structure (pole) rentals, personal computer sales, telecommunication equipment sales, custom work completed for large customers, and revenue generated by our outsourcing arrangement with Bell Mobility.

Marketing and distribution channels

We sell our products and services through face to face sales representatives, telemarketing centres, sales agents, including partner owned retail stores, and Internet portals including bellaliant.net, bell.ca and bellaliant.ca.

Our ability to combine service offerings in bundles is integral to our success, driving loyalty and protecting our customer base. Beginning in 2007, changes to regulatory rules relating to local service provided greater bundling and pricing flexibility enabling us to further increase our market penetration by offering bundles that have a combination of Internet service, Bell Aliant TV, home phone, local features, long distance plans and, if desired, cellular service or Bell TV (satellite). In our business market, we also provide combined service offerings in the form of business bundles and customized solutions.

Competitive conditions

We face competition from traditional and non-traditional sources. Cable companies remain our most significant competitive threat. They aggressively market multiple product bundled service offerings that are similar to ours and continue to expand their local service areas in our regions, although at a slower rate of expansion from what we have experienced in prior years. The competitive footprint overlap with cable companies grew to approximately 69 per cent of households in our territory at the end of 2010, representing a 2 percentage point increase since December 31, 2009. We expect that the cable companies will continue to increase their competitive coverage over the next several years, reaching a peak of 75 to 80 per cent. We anticipate this will result in continued gradual erosion of our market share in local and long distance voice services, and, to a lesser extent, Internet services, as we experience further competitive expansion into our territories and greater competitive intensity. In contrast, we expect to gain market share in TV services from cable companies as our footprint for offering these services expands.

The telecommunications industry is affected by rapidly evolving wireless, Internet and data technologies services and products which has resulted in the decline in revenue from traditional voice and long distance services. In particular, competitors have gained market share as customers substitute new technologies such as wireless and VoIP services for the traditional voice and long distance services.

We expect growth in operating revenue will come from our Internet and TV portfolios. In order to meet the needs of our customers for data and Internet services, we have made significant investments in fibre optic technology to increase our network capacity. We were the first and are currently the only communications company to provide FTTH technology to an entire city in Canada on a 100 per cent fibre optic network. We expect to continue to invest in fibre and are constantly evolving our product offerings to ensure that our bandwidth and value-added service offerings are competitive in our marketplace.

The intensity of competition in our markets creates pressure to maintain aggressive prices and service offerings which could reduce our revenues and lower our profitability, or affect our ability to gain new customers and retain our existing ones. We need to proactively anticipate and launch new service offerings and respond quickly to changes in the marketing strategies of our competitors. We constantly strive to find the balance in our pricing mix, considering our competitors' pricing and the relative value we offer based on our products and services.

In response to these competitive pressures, we remain focused on investing in fibre technology to build our network capacity, promoting our bundled service offerings and working with customers to provide the highest quality of service and leading edge product offerings. We continue to use our local presence and insight to guide community investment and support activities that are important to our customers and employees. We conduct business with a clear and consistent focus on the successful execution of our strategic objectives.

New products and services

In 2009, we launched our *FibreOP* Internet and TV service in Fredericton, New Brunswick, and in early 2010 became the first operator in Canada to provide this FTTH service to an entire city. FTTH provides premium Internet speed and an exceptional TV experience, including high definition (HD). Throughout 2010 we expanded our investment in FTTH technology to pass 138,000 homes and businesses by the end of the year, largely in the province of New Brunswick and in Sydney, Nova Scotia.

We improved our Bell Aliant TV service by updating the user interface and guide, adding additional features to our Personal Video Recorder (PVR) and adding 10 new HD channels.

We launched new *FibreOP* bundles in areas with access to our FTTH service providing customers with three simple choices – good, better, best options.

We launched our fastest *FibreOP* Internet service, which offers exceptionally fast 170 Mbps download and 30 Mbps upload speeds. These speeds not only enable customers to download music, movies and share video or photos faster, but also can accommodate the growing need for multiple users sharing bandwidth within the home.

We enhanced our voicemail services by adding voicemail-to-email to all residential and business voicemail customers in the Atlantic region, providing our phone customers with additional value.

Intangible Properties

We believe that our trade-marks, brands and domain names and other intangible assets (such as telecommunications and broadcast distribution licences, software, customer relationships and residuals) are important to our success. Our exclusive trade-mark registrations may be renewed every 15 years provided we continue to use the trade-marks in our business activities. We take appropriate measures to protect, renew and defend our trade-marks. We spend considerable time and resources overseeing, registering, renewing, licensing and protecting our trade-marks and prosecuting those who infringe on them. Given our sensitivity to the importance of these assets, we are also very careful not to knowingly infringe the intellectual property of others.

Environmental Policy

We have a comprehensive environmental policy that guides our actions related to environmental responsibility. The policy provides for the identification of activities and situations which may have potential to harm the environment, and the implementation of environmentally positive practices and preventive measures. Our environment program is designed to ensure that we comply with all environmental regulatory requirements and that our activities are carried out in a manner that minimizes risk to the environment through a continuous improvement process. Our environmental responsibilities in Québec and Ontario are managed by Bell Canada.

We continuously monitor our operations for compliance with environmental requirements and standards, and take action to prevent and correct problems, when needed. We have an environmental management and review system that:

- provides early warning of potential problems;
- establishes a course of action; and
- ensures ongoing improvement through regular monitoring and reporting.

A committee (the Environment Council) composed of senior managers from key areas of the business oversees the implementation of environmental initiatives throughout our business. The Environment Council is responsible for the approval of an annual environmental action plan that establishes and prioritizes key environmental activities for our various business units and monitors progress in meeting the established objectives.

We are not aware of any environmental matters that materially threaten our future earnings, or our financial or competitive position. In the event there is a significant environmental infraction, it will be brought to the attention of our Audit Committee.

Continuous improvements to our environmental program are not expected to have a material impact on our earnings or capital expenditures, nor on our competitive position in the current year. Integrating effective environmental management into our business operations is beginning to create synergies and will help sustain our performance in the future.

Employees

Bell Aliant Holdings LP, through its subsidiary entities, had approximately 7,300 employees as at December 31, 2010, including approximately 500 employees of our former xwave business, which was sold to Bell Canada on January 1, 2011.

DESCRIPTION OF BELL ALIANT LP

Bell Aliant LP is the main operating entity of the Bell Aliant Group, operating the Bell Aliant Business, and certain other operations. The description below is a summary only of the material attributes and characteristics of Bell Aliant LP and the partnership interests of Bell Aliant LP and is qualified in its entirety by reference to the full text of the **Bell Aliant LP Partnership Agreement**, which is available on SEDAR at www.sedar.com.

General

Bell Aliant LP is a limited partnership established under the laws of the Province of Manitoba. The general partner of Bell Aliant LP is Bell Aliant GP.

Capitalization

Bell Aliant LP is entitled to issue various partnership units for such consideration and on such terms and conditions as may be determined by Bell Aliant GP. Bell Aliant LP has issued a nominal value general partnership interest held by Bell Aliant GP, Class A LP Units held by Bell Aliant GP and a subsidiary of Bell Aliant GP, and Class B LP Units held by Bell Aliant GP. Prior to the Conversion, the Class B LP Units were held by Bell Canada and were exchangeable for Fund Units on a one-for-one basis. As part of the Conversion, the Class B LP Units were acquired by Bell Aliant GP and the exchange rights ceased to exist.

Distributions

It is intended that Bell Aliant LP will declare distributions (or pay advances in lieu of distributions) to limited partners (after nominal distributions to Bell Aliant GP on its general partnership interest) of Bell Aliant LP's distributable cash, as determined by Bell Aliant GP in its sole discretion, in respect of each quarter. Bell Aliant LP may, in addition, make a distribution at any other time provided that no cash distributions may be made to holders of Class A LP Units unless an equivalent distribution is made to the holders of the Class B LP Units.

Allocation of Net Income and Losses

The income or loss of Bell Aliant LP as determined pursuant to the Tax Act for a particular taxation year, net of 0.001 per cent of such income allocated to the general partner, will be allocated to each limited partner in proportion to the cash of Bell Aliant LP distributed or advanced to such limited partners in respect of such year (other than distributions which are used by the partner to repay prior advances from Bell Aliant LP). The amount of income allocated to a partner may exceed or be less than the amount of cash distributed or advanced by Bell Aliant LP to that partner.

Transfer of Partnership Units

The limited partnership units of Bell Aliant LP are transferable only in accordance with the terms of the Bell Aliant LP Partnership Agreement. Subject to the requirements of applicable securities laws, limited partnership units of Bell Aliant LP may be transferred subject to the limitations set forth in the Bell Aliant LP Partnership Agreement, including, no limited partnership units of Bell Aliant LP may be transferred to any person: (i) that is a Non-Resident, (ii) that is not a Canadian as defined in the Telecommunications Act or as defined in the Direction to the CRTC (Ineligibility of Non-Canadians) pursuant to the Broadcasting Act or not Canadian-owned and controlled as defined in the Radiocommunication Act (as applicable), (iii) is not a corporation licensed under the Broadcasting Act with respect to the broadcasting undertakings and/or broadcasting distribution undertakings of Bell Aliant LP (as applicable and only if then required) and (iv) without the prior approval (as applicable and if then required) of the CRTC under the Broadcasting Act or Industry Canada under the Radiocommunication Act or the Telecommunications Act (as applicable and only if then required). Any transferee shall become a limited partner and be bound by the Bell Aliant LP Partnership Agreement.

DESCRIPTION OF PREFCO

Prefco is a wholly-owned subsidiary of Bell Aliant GP and was incorporated under the CBCA on January 31, 2011 for the sole purpose of being the issuer of preferred shares. In March 2011 Prefco issued 11,500,000 Series A Preferred Shares at a price of $25.00 for gross proceeds of $287.5 million. The net proceeds of the offering were loaned to Bell Aliant GP. Other than the loan, Prefco will have no significant assets and will not have any ongoing business operations of its own. It is not currently contemplated that Prefco will issue any securities, other than common shares to Bell Aliant GP and preferred shares, to any person, including debt securities.

DESCRIPTION OF THE BELL NORDIQ PARTNERSHIPS

Bell Aliant GP directly and indirectly holds a 100 per cent limited partnership interest in, and is the general partner of, each of the Bell Nordiq Partnerships. The Bell Nordiq Partnerships are each limited partnerships established under the laws of Québec. The Bell Nordiq Partnerships, operating under the Télébec, NorthernTel and certain other brands, are leading integrated providers of wireline (local access and long distance), data, cable TV, wireless, and other communications services to residential and business customers across regional areas of Québec and northern Ontario.

OTHER MATERIAL AGREEMENTS

Administration Agreement

Bell Aliant LP and Bell Aliant Inc. have entered into the Administration Agreement which is available on SEDAR at www.sedar.com. The following is a summary only and is qualified in its entirety by reference to the full text of the **Administration Agreement**. Under the terms of the Administration Agreement, Bell Aliant LP provides administrative and support services to Bell Aliant Inc. including, without limitation, those necessary to:

(a) seek to ensure compliance by Bell Aliant Inc. with all applicable securities legislation and stock exchange rules, including continuous disclosure obligations;

(b) provide investor relations services;

(c) provide or cause to be provided to Shareholders all information to which Shareholders are entitled under Bell Aliant Inc.'s constating documents and applicable laws, including relevant information with respect to financial reporting and income taxes;

(d) prepare for and hold all annual and/or special meetings of Shareholders, including preparing all materials (including notices of meetings and information circulars) in respect thereof and delivering or making available such materials to applicable Shareholders;

(e) determine the amount of free cash flow and arrange for dividends to be paid to Shareholders as declared by the directors of Bell Aliant Inc.;

(f) seek to ensure compliance with Bell Aliant Inc.'s limitations on non-Canadian ownership; and

(g) generally, provide all other services as may be necessary or as may be requested by Bell Aliant Inc.

The Administration Agreement shall, unless terminated in accordance with its terms, continue in full force and effect until July 6, 2016, and will be automatically extended for additional five-year periods unless notice of termination is given by Bell Aliant Inc. 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.

Investor Liquidity Agreement

Upon completion of the Conversion, Bell Aliant Inc., Bell Aliant GP, Bell Aliant LP, BCE and Bell Canada entered into an amended and restated investor liquidity agreement dated January 1, 2011 (**Investor Liquidity Agreement**). The description below is a summary only and is qualified in its entirety by reference to the full text of the Investor Liquidity Agreement, which is available on SEDAR at www.sedar.com.

Restrictions on Actions of Bell Aliant Inc.

Under the Investor Liquidity Agreement, Bell Aliant Inc. has agreed that it shall not, directly or indirectly, take any of the following actions without the prior written approval of the board of directors of Bell Aliant GP: (a) make any investment in any person other than the subsidiaries of Bell Aliant Inc. as at January 1, 2011; or (b) issue any Bell Aliant Inc. common shares or other securities or repurchase outstanding Bell Aliant Inc. common shares or other securities; or (c) issue any debt securities or guarantee the indebtedness of any person other than Bell Aliant Inc., Bell Aliant GP, Bell Aliant LP or their respective subsidiaries.

In addition, Bell Aliant Inc. has agreed that it shall not, directly or indirectly, consummate any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other person unless, among other things, such person agrees to be bound by the terms of the Investor Liquidity Agreement.

Demand Registration Rights

The Investor Liquidity Agreement provides that Bell Aliant Inc. will, upon the written request of Bell Canada or BCE (or their respective assignees), file a prospectus under applicable Canadian securities laws in respect of the distribution of all or part of the Bell Aliant Inc. common shares then held by Bell Canada or BCE (or their respective assignees), subject to certain restrictions. Bell Aliant Inc. is required to use its best efforts to file a prospectus (**Demand Registration**) in order to permit the offer and sale or other disposition or distribution in Canada of all or any portion of the Bell Aliant Inc. common shares held, directly or indirectly, by Bell Canada or BCE (or their respective assignees). Bell Aliant Inc. may satisfy its obligations through a shelf prospectus and applicable supplements. The Demand Registration rights are subject to the following limitations: (i) Bell Aliant Inc. is not required to effect a Demand Registration during the period ending 120 days after the date of the receipt or other decision document from applicable securities regulators for Bell Aliant Inc.'s most recent prospectus (other than a shelf prospectus); (ii) Bell Aliant Inc. is not required to cause a Demand Registration if two or more Demand Registrations have been completed within the preceding 12 months; and (iii) Bell Aliant Inc. is not required to file a Demand Registration unless the anticipated gross proceeds from the distribution will be not less than $50 million.

Bell Aliant Inc. Participation

Bell Aliant Inc. may elect to include authorized but unissued Bell Aliant Inc. common shares in any prospectus filed pursuant to a Demand Registration request unless Bell Canada or BCE (or their respective assignees) or its underwriter or agent determines, acting reasonably, that including such Bell Aliant Inc. common shares in the distribution qualified by such prospectus would adversely affect Bell Canada's or BCE's (or their respective assignees') distribution; provided, however, that such inclusion will be permitted only to the extent that Bell Aliant Inc. agrees to and the Bell Aliant Inc. common shares are sold pursuant to, and subject to the terms of, the underwriting agreement or arrangements entered into by Bell Canada or BCE (or their respective assignees).

Piggy-Back Registration Rights

The Investor Liquidity Agreement also provides Bell Canada and BCE (or their respective assignees) with "piggy-back" registration rights, subject to certain restrictions, requiring Bell Aliant Inc. to qualify for distribution under applicable securities laws all or any portion of the Bell Aliant Inc. common shares owned, directly or indirectly, by Bell Canada or BCE (or their respective assignees) in the event that Bell Aliant Inc. proposes to file a prospectus to qualify Bell Aliant Inc. common shares for distribution.

Co-operation on Spin-Off

Bell Aliant Inc., Bell Aliant LP, Bell Aliant GP and their subsidiaries have agreed that, at the request of BCE, they will co-operate and reasonably assist Bell Canada and BCE if BCE wishes to distribute Bell Aliant Inc. common shares to its shareholders, including without limitation by filing a prospectus or providing prospectus-level disclosure concerning Bell Aliant Inc., Bell Aliant LP, Bell Aliant GP and their subsidiaries in a proxy circular relating to any such distribution.

Securityholders' Agreement

Upon completion of the Conversion, Bell Aliant Inc., Bell Aliant GP, Bell Aliant LP, 6583458 Canada Inc., BCE and Bell Canada entered into the amended and restated securityholders' agreement dated January 1, 2011 (**Securityholders' Agreement**) which provides for, among other things, the size and composition of the boards of directors of Bell Aliant GP, the size of and nominees for election to the board of Bell Aliant Inc., and certain other governance matters.

The description below is a summary only and is qualified in its entirety by reference to the full text of the Securityholders' Agreement, which is available on SEDAR at www.sedar.com.

Board of Directors of Bell Aliant GP

The Securityholders' Agreement provides that the number of directors of Bell Aliant GP will be between 9 and 15, with the number of directors to be fixed from time to time by the board of Bell Aliant GP. Currently the board of directors of Bell Aliant GP consists of 10 directors.

BCE and its affiliates are entitled to appoint up to a majority of the directors of Bell Aliant GP for so long as BCE, directly or indirectly, holds not less than 30 per cent of the Bell Aliant Inc. common shares outstanding and the Major Commercial Agreements are in place. If the Major Commercial Agreements are terminated by any of the parties in accordance with their terms (other than a termination as a result of a material uncured intentional breach by Bell Aliant LP), or if BCE and its affiliates, directly or indirectly, hold less than 30 per cent of the Bell Aliant Inc. common shares outstanding, BCE is entitled to appoint its proportionate share of the directors of Bell Aliant GP (rounded up to the next whole number) based on its direct and indirect ownership of Bell Aliant Inc. common shares. In any event, BCE is entitled to appoint two directors to the board of Bell Aliant GP for as long as the Major Commercial Agreements are in place, irrespective of its ownership of common shares in Bell Aliant Inc. The BCE nominees to the board of Bell Aliant GP may be directors, officers or employees of BCE or its affiliates. Bell Aliant Inc. is entitled to appoint the balance of the directors of the board of Bell Aliant GP. If the chair of the board is not independent (as defined in National Instrument 52-110 – *Audit Committees*), a lead independent director will also be appointed.

Committees of the Bell Aliant GP Board

The Securityholders' Agreement provides that the board of Bell Aliant GP will establish an audit committee consisting of between three and five members appointed by the board of Bell Aliant GP. The board of Bell Aliant GP may also establish such other committees as it may determine from time to time. BCE is entitled to designate one member of the audit committee for so long as BCE, directly or indirectly, holds not less than 20 per cent of the Bell Aliant Inc. common shares outstanding. For more information about the committees of the board of Bell Aliant GP, see "Directors and Officers".

Bell Aliant Inc. Directors

The persons to be elected as Bell Aliant Inc. directors will be nominated by the board of Bell Aliant Inc. and will be elected by Shareholders. The Securityholders' Agreement provides that the number of directors of Bell Aliant Inc. will be between 3 and 20, with the number of directors to be fixed from time to time by the board of Bell Aliant Inc. The principles set forth in the Securityholders' Agreement relating to the composition of the board of Bell Aliant GP also apply to the selection of nominees to stand for election as directors of Bell Aliant Inc.

Boards of Directors of Other Entities

The Securityholders' Agreement provides that the boards of directors of each material subsidiary of Bell Aliant Inc. shall be the same as the board of Bell Aliant GP (unless the parties agree otherwise).

BCE Approval for Certain Matters

The Securityholders' Agreement provides that, for so long as BCE, directly or indirectly, holds not less than 20 per cent of the Bell Aliant Inc. common shares outstanding, Bell Aliant Inc. and its subsidiaries shall not, directly or indirectly, without the affirmative vote of a majority of the board of Bell Aliant GP and the written consent of BCE:

(a) enter into any merger, amalgamation, consolidation, business combination, joint venture, arrangement, reorganization or other material corporate transaction, including acquisitions, having a value in excess of $200 million;

(b) sell, assign, lease, convey, exchange or otherwise dispose of assets having a value in excess of $200 million;

(c) take, or permit to be taken, any action that would prevent its affairs or business, as it then exists, from continuing on an ongoing basis in the ordinary course;

(d) appoint or remove any Chief Executive Officer, and BCE shall have the ability to nominate a candidate for consideration by the relevant board of directors or an appropriate committee thereof;

(e) take any action which could reasonably be expected to result in a material change in the nature of the business of Bell Aliant Inc. and its subsidiaries taken as a whole;

(f) incur debt (including guarantees) such that at the consolidated level of debt would be in excess of 2.5 times earnings before interest, taxes, depreciation and amortization and certain other items (EBITDA) as defined in the Securityholders' Agreement at the time of incurrence;

(g) enter into any material commercial agreements with any "Competitor" of BCE or Bell Canada (as such term is defined in the Major Commercial Agreements from time to time), other than ordinary course agreements and agreements that are required by applicable regulatory authorities;

(h) approve any business plan; or

(i) make any commitment or agreement to do any of the foregoing.

The Securityholders' Agreement provides that, for so long as BCE has the rights described above, the sole investment activity of Bell Aliant Inc. shall be to (i) invest in and hold Bell Aliant GP common shares and other debt or equity securities of Bell Aliant GP or debt securities of Bell Aliant LP; (ii) temporarily hold cash in interest bearing accounts or certificates of deposit, short-term government debt or investment grade corporate debt or money market mutual funds; and (iii) advance or lend monies received by Bell Aliant Inc. as a result of the ordinary course operation of compensation plans to subsidiaries of Bell Aliant Inc. and all business and investment activities shall occur at Bell Aliant GP or wholly-owned subsidiaries of Bell Aliant GP, unless BCE and Bell Canada otherwise agree.

Pre-Emptive Rights

The Securityholders' Agreement provides that, subject to certain exceptions, if any of Bell Aliant Inc., Bell Aliant GP or Bell Aliant LP or any of their subsidiaries authorizes the issuance of additional shares or partnership units or securities convertible into Bell Aliant Inc. common shares, shares or partnership units, respectively, then it shall offer to sell to BCE or Bell Canada such shares, partnership units or convertible securities (as the case may be) in proportion to BCE's and Bell Canada's then current direct or indirect ownership of Bell Aliant Inc. common shares.

This pre-emptive right also applies in respect of the issuance of debt securities by Bell Aliant Inc., Bell Aliant GP, Bell Aliant LP or any of their subsidiaries.

RISK FACTORS

A discussion of the risks affecting us and our businesses appears in the "Risk management" section of Bell Aliant Holdings LP's MD&A for the year ended December 31, 2010, which discussion is incorporated by reference in this AIF. See also the "Assumptions made in the preparation of forward-looking information" and "Risks that could affect our business and results" sections of the Bell Aliant Holdings LP MD&A for the year ended December 31, 2010, which are incorporated herein by reference. For a discussion of the risks affecting Prefco, see the "Risk Factors" section of the short form prospectus of Prefco dated March 7, 2011, which section is incorporated herein by reference. These documents are available at www.bellaliant.ca as well as on SEDAR at www.sedar.com.

Regulatory Updates

Our business is affected by decisions made by the CRTC and the federal government. Refer to the "Regulatory developments" section of Bell Aliant Holdings LP's MD&A for the year ended December 31, 2010, for a complete discussion of regulatory developments which occurred up to and including March 9, 2011. Regulatory developments which have occurred since that date which are significant to our business are described below.

Review of usage-based billing (UBB)

On March 17, 2011, the CRTC expanded its review proceeding to include an online consultation, an interrogatory process, and a public hearing in July 2011. On March 28, 2011, Bell Canada and Bell Aliant LP filed their initial submission in that proceeding, proposing a new aggregate volume pricing model for their residential wholesale Gateway Access Service (GAS).

Customer transfer process

On March 18, 2011, the CRTC issued Broadcasting and Telecom Regulatory Policy 2011-191 which simplified the transfer process when customers wish to change the provider from which they receive telecommunications and/or broadcasting services. The existing customer transfer processes for home phone, long distance and wireless services will be extended to Internet and television services such that the customer's new service provider will be able to cancel service from the current provider on the customer's behalf if the customer so authorizes.

Review of Local, Wireless, and Toll Interconnection Regimes

On March 23, 2011, the CRTC initiated a proceeding to review the local, wireless, and toll interconnection regulatory regimes. This will be a broad policy review of network interconnection matters aimed at determining to what extent existing interconnection regimes can be simplified and consolidated. The CRTC will also be considering whether changes are necessary to enhance competition and benefit consumers and to ensure technological neutrality. This proceeding will include a public hearing which will begin on October 24, 2011. It is not known at this time what impact the review will have on Bell Aliant GP.

Canadian broadcasting in new media

On March 24, 2011, the Supreme Court of Canada granted leave to appeal the Federal Court of Appeal's decision which had concluded that Internet service providers (ISPs) do not carry on, in whole or in part, broadcasting undertakings when, in their role as ISPs, they provide access through the Internet to "broadcasting" requested by end-users.

DIVIDENDS AND DIVIDEND POLICY

The following table shows the consolidated distributions declared by Bell Aliant Holdings LP, consisting of amounts declared to the Fund and to BCE and Bell Canada for the years ended December 31, 2008, 2009 and 2010. These amounts do not include distributions declared by Bell Aliant LP and paid directly to Bell Canada in respect of its ownership of exchangeable limited partnership units of Bell Aliant LP during those periods.

$ millions **Distribution Periods**	**Consolidated Distributions Declared**	**Distributions to the Fund**	**Distributions to BCE and Bell Canada**
January 1 – December 31, 2008	$454.3	$372.8	$81.5
January 1 – December 31, 2009	$455.4	$373.7	$81.7
January 1 – December 31, 2010	$452.6	$370.9	$81.7

The increase in distributions declared in 2009 compared to 2008 reflects higher cash requirements of the Fund to pay for a higher distribution rate on Fund units established in February 2008 that was paid for a full twelve months in 2009. The decrease in 2010 compared to 2009 reflects stable cash requirements of the Fund to pay for distributions on its units combined with lower cash requirements for the Fund's expenses.

Bell Aliant Inc.'s dividend policy targets a payout ratio of 75 – 85 per cent of free cash flow. The objective is to deliver a sustainable high payout dividend to shareholders while balancing the business priorities of its operating subsidiaries, including continuing to invest in broadband and maintaining investment grade credit ratings.

The target payout ratio and the declaration of future dividends are subject to the consideration of numerous factors and are at the discretion of the board of directors of Bell Aliant Inc. Payment of dividends by Bell Aliant GP is at the discretion of the directors of Bell Aliant GP. It is anticipated that Bell Aliant GP will declare and pay dividends to holders of its common shares (principally Bell Aliant Inc.) in connection with dividends to be paid by Bell Aliant Inc.

Restrictions on Dividends

The declaration and payment of dividends by each of Bell Aliant Inc., Bell Aliant GP, and Prefco is subject to solvency tests imposed by the CBCA. In the future, Bell Aliant Inc.'s and our dividends could become subject to restrictions imposed under our bank credit facilities. The Credit Agreement, as described in the "Material Contracts" section of this AIF, specifies that if Bell Aliant LP's or Bell Aliant GP's credit ratings fall below investment grade (generally below the 'BBB' rating category), Bell Aliant Inc.'s dividends during any 12 month period will be restricted to 100 per cent of the distributable cash (as defined in the Credit Agreement) generated during that 12 month period. Events of default under the Credit Agreement or the indenture governing the LP Notes would also restrict our ability, and ultimately the ability of Bell Aliant Inc., to pay dividends. The trust indentures of the Bell Nordiq Partnerships also contain provisions that could restrict distributions by those partnerships if there were an event of default or in certain cases, if certain financial tests are not met.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The authorized capital of Bell Aliant GP consists of an unlimited number of a class of shares designated as “Voting Common Shares” and an unlimited number of a class of shares designated as “Non-Voting Common Shares”.

Voting Common Shares

Holders of Voting Common Shares will be entitled to one vote per share at meetings of shareholders of Bell Aliant GP, to receive dividends if, as and when declared by the board of Bell Aliant GP on a *pro rata* basis with the holders of Non-Voting Common Shares and to receive on a *pro rata* basis with the holders of Non-Voting Common Shares the remaining property of Bell Aliant GP upon its liquidation, dissolution or winding-up, whether voluntary or involuntary, subject to the rights of shares having priority over the Voting Common Shares.

Non-Voting Common Shares

Holders of Non-Voting Common Shares are generally not entitled to vote at meetings of shareholders of Bell Aliant GP. Holders of Non-Voting Common Shares are entitled to receive dividends if, as and when declared by the board of Bell Aliant GP on a *pro rata* basis with the holders of Voting Common Shares and to receive on a *pro rata* basis with the holders of Voting Common Shares the remaining property of Bell Aliant GP upon its liquidation, dissolution or winding-up, whether voluntary or involuntary, subject to the rights of shares having priority over the Non-Voting Common Shares.

Capital Structure of Prefco

The authorized capital of Prefco consists of an unlimited number of common shares and an unlimited number of preference shares issuable in series.

Prefco Common Shares

Holders of common shares of Prefco are entitled to one vote per share at meetings of shareholders of Prefco, to receive dividends if, as and when declared by the directors of Prefco (subject to the rights of shares, if any, having priority over the common shares, which includes the preference shares described below) and to receive *pro rata* the remaining property and assets of Prefco upon its liquidation, dissolution or winding-up, subject to the rights of holders of shares, if any, having priority over the common shares, which includes the preference shares described below. Bell Aliant GP owns all of the 227,768,734 outstanding common shares of Prefco.

Prefco Preference Shares as a Class

Each series of preference shares of Prefco shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the directors of Prefco prior to the issuance thereof. Holders of preference shares, except as required by law, will not be entitled to vote at meetings of shareholders of Prefco except as specified in the applicable rights, privileges, restrictions and conditions thereof. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of Prefco, whether voluntary or involuntary, the preference shares are entitled to preference over common shares of Prefco.

Series A Preferred Shares

Dividends

The holders of the Series A Preferred Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the board of directors of Prefco, payable quarterly on the last business day of March, June, September and December, at an annual rate equal to $1.2125 per share until March 31, 2016. The initial dividend, if declared, will be payable on June 30, 2011 and will be $0.35545 per share.

The annual fixed dividend rate will be reset on March 31, 2016 and every five years thereafter, at a rate equal to the 5-year Government of Canada bond yield on the 30th day prior to such date plus 2.09 per cent. During each subsequent five year period after the initial period, the holders of Series A Preferred Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the board of directors of Prefco, payable quarterly on the last business day of March, June, September and December in each year during such period, in an annual amount per share determined by multiplying the applicable annual fixed dividend rate by $25.00.

Series A Guarantee

The Series A Preferred Shares are fully and unconditionally guaranteed by Bell Aliant GP as to (i) the payment of dividends, if, as and when declared, (ii) the payment of amounts due on redemption of the Series A Preferred Shares, and (iii) the payment of the amounts due on the liquidation, dissolution or winding-up of Prefco (the **Series A Guarantee**). As long as the declaration or payment of dividends on the Series A Preferred Shares is in arrears, Bell Aliant GP will not pay any dividends on the equity securities of Bell Aliant GP or make payments on indebtedness owed to Bell Aliant Inc. The Series A Guarantee will be subordinated to all of the indebtedness for borrowed money, or guarantees thereof, of or by Bell Aliant GP (in the event of maturity or default thereunder) and to all unsubordinated indebtedness, liabilities and obligations of Bell Aliant GP in the event of the liquidation, dissolution, reorganization or winding-up of Bell Aliant GP, and will rank senior to the Bell Aliant GP common shares. The Series A Guarantee will rank equally with the obligations of Bell Aliant GP under the Series B Guarantee (as defined below) in respect of the Series B Preferred Shares, and under similar guarantees that may be provided by Bell Aliant GP in respect of other series of preference shares of Prefco.

Redemption

Except in certain circumstances relating to the liquidation or winding up of Bell Aliant GP, the Series A Preferred Shares are not redeemable by Prefco prior to March 31, 2016. On March 31, 2016 and on March 31 every five years thereafter, and subject to certain limitations, Prefco may, at its option, redeem all or any number of the outstanding Series A Preferred Shares by payment in cash of a per share sum equal to $25.00, together with all accrued and unpaid dividends thereon.

The Series A Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series A Preferred Shares.

Conversion

Subject to the right of Prefco to redeem the Series A Preferred Shares as described above, each holder of Series A Preferred Shares will have the right, at its option, on March 31, 2016 and on March 31 every five years thereafter, to convert, subject to the restrictions on conversion described below, all or any of the Series A Preferred Shares into Series B Preferred Shares on the basis of one Series B Preferred Share for each Series A Preferred Share converted.

Holders of Series A Preferred Shares will not be entitled to convert their shares into Series B Preferred Shares if Prefco determines that there would remain outstanding on a conversion date fewer than 1,000,000 Series B Preferred Shares. Furthermore, if Prefco determines that there would remain outstanding on a conversion date fewer than 1,000,000 Series A Preferred Shares, then, all, but not part, of the remaining outstanding Series A Preferred Shares will be automatically converted into Series B Preferred Shares on the basis of one Series B Preferred Share for each Series A Preferred Share.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of Prefco or any other distribution of assets of Prefco among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of Prefco and of holders of shares of Prefco ranking prior to the Series A Preferred Shares, the holders of the Series A Preferred Shares will be entitled to receive an amount equal to $25.00 per share, together with an amount equal to all accrued and unpaid dividends up to but excluding the date of payment or distribution, before any amount is paid or any assets of Prefco are distributed to the holders of any shares ranking junior as to capital to the Series A Preferred Shares.

Voting

The holders of the Series A Preferred Shares will not (except as otherwise provided by law) generally be entitled to receive notice of, attend, or vote at any meeting of shareholders of Prefco. However, if Prefco shall have failed to pay six quarterly dividends on the Series A Preferred Shares, for so long as any such dividends remain in arrears, the holders of the Series A Preferred Shares will be entitled to receive notice of and to attend each meeting of Prefco's shareholders which takes place more than sixty (60) days after the date on which the first such failure first occurred, and be entitled to vote together with all of the voting shares of Prefco on the basis of one vote in respect of each Series A Preferred Share held by such holder, until all such arrears of such dividends have been paid, whereupon such rights shall cease.

Under the terms of a Nomination and Appointment Agreement between Bell Aliant Inc. and Prefco, the holders of the Series A Preferred Shares, together with the holders of the Series B Preferred Shares and the holders of any other preference shares of Prefco with respect to which any director nomination or appointment right as a result of the failure of Prefco to pay dividends is then in force, as applicable, will also have the right to nominate one candidate for election as a director of Bell Aliant Inc. in the same circumstances, and to cause Bell Aliant Inc. to appoint such candidate as a director if, at the time of such non-payment, BCE does not have the right to direct Bell Aliant Inc. with respect to the nomination of a majority of the nominees to stand for election as directors of Bell Aliant Inc. See "Material Contracts — Nomination and Appointment Agreement".

Series B Preferred Shares

Dividends

The holders of the Series B Preferred Shares will be entitled to receive floating rate cumulative preferential cash dividends, if, as and when declared by the board of directors of Prefco, payable quarterly on the last business day of March, June, September and December in each year, in the amount per share determined by multiplying the applicable floating quarterly dividend rate by $25.00. The floating quarterly dividend rate will be the sum of the average yield on three-month Government of Canada Treasury Bills plus 2.09 per cent (calculated on the basis of the actual number of days in the applicable quarterly period divided by 365). The floating quarterly dividend rate for each quarterly period will be determined by Prefco on the 30th day prior to the beginning of each quarterly period.

Series B Guarantee

The Series B Preferred Shares are fully and unconditionally guaranteed by Bell Aliant GP as to (i) the payment of dividends, if, as and when declared, (ii) the payment of amounts due on redemption of the Series B Preferred Shares, and (iii) the payment of the amounts due on the liquidation, dissolution or winding-up of Prefco (the **Series B Guarantee**). As long as the declaration or payment of dividends on the Series B Preferred Shares is in arrears, Bell Aliant GP will not pay any dividends on the equity securities of Bell Aliant GP or make payments on indebtedness owed to Bell Aliant Inc. The Series B Guarantee will be subordinated to all of the indebtedness for borrowed money, or guarantees thereof, of or by Bell Aliant GP (in the event of maturity or default thereunder) and to all unsubordinated indebtedness, liabilities and obligations of Bell Aliant GP in the event of the liquidation, dissolution, reorganization or winding-up of Bell Aliant GP, and will rank senior to the Bell Aliant GP common shares. The Series B Guarantee will rank equally with the obligations of Bell Aliant GP under the Series A Guarantee in respect of the Series A Preferred Shares, and under similar guarantees that may be provided by Bell Aliant GP in respect of other series of preference shares of Prefco.

Redemption

Except in certain circumstances relating to the liquidation or winding up of Bell Aliant GP, the Series B Preferred Shares are not redeemable by Prefco on or prior to March 31, 2016. Thereafter, Prefco may, at its option, redeem all or any number of the outstanding Series B Preferred Shares by payment in cash of a per share sum equal to (i) $25.00 in the case of redemptions on March 31, 2021 and on March 31 every five years thereafter, or (ii) $25.50 in the case of redemptions on any other date, in each case together with all accrued and unpaid dividends thereon.

The Series B Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series B Preferred Shares.

Conversion

Subject to the right of Prefco to redeem the Series B Preferred Shares as described above, each holder of Series B Preferred Shares will have the right, at its option, on March 31, 2021 and on March 31 every five years thereafter, to convert, subject to the restrictions on conversion described below, all or any of the Series B Preferred Shares into Series A Preferred Shares on the basis of one Series A Preferred Share for each Series B Preferred Share converted.

Holders of Series B Preferred Shares will not be entitled to convert their shares into Series A Preferred Shares if Prefco determines that there would remain outstanding on a conversion date fewer than 1,000,000 Series A Preferred Shares. Furthermore, if Prefco determines that there would remain outstanding on a conversion date fewer than 1,000,000 Series B Preferred Shares, then, all, but not part, of the remaining outstanding Series B Preferred Shares will be automatically converted into Series A Preferred Shares on the basis of one Series A Preferred Share for each Series B Preferred Share.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of Prefco or any other distribution of assets of Prefco among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of Prefco and of holders of shares of Prefco ranking prior to the Series B Preferred Shares, the holders of the Series B Preferred Shares will be entitled to receive an amount equal to $25.00 per share, together with an amount equal to all accrued and unpaid dividends up to but excluding the date of payment or distribution, before any amount is paid or any assets of Prefco are distributed to the holders of any shares ranking junior as to capital to the Series B Preferred Shares.

Voting

The holders of the Series B Preferred Shares will not (except as otherwise provided by law) generally be entitled to receive notice of, attend, or vote at any meeting of shareholders of Prefco. However, if Prefco shall have failed to pay six quarterly dividends on the Series B Preferred Shares, for so long as any such dividends remain in arrears, the holders of the Series B Preferred Shares will be entitled to receive notice of and to attend each meeting of Prefco's shareholders which takes place more than sixty (60) days after the date on which the first such failure first occurred, and be entitled to vote together with all of the voting shares of Prefco on the basis of one vote in respect of each Series B Preferred Share held by such holder, until all such arrears of such dividends have been paid, whereupon such rights shall cease.

Under the terms of a Nomination and Appointment Agreement between Bell Aliant Inc. and Prefco, the holders of the Series B Preferred Shares, together with the holders of the Series A Preferred Shares and the holders of any other preference shares of Prefco with respect to which any director nomination or appointment right as a result of the failure of Prefco to pay dividends is then in force, as applicable, will also have the right to nominate one candidate for election as a director of Bell Aliant Inc. in the same circumstances, and to cause Bell Aliant Inc. to appoint such candidate as a director if, at the time of such non-payment, BCE does not have the right to direct Bell Aliant Inc. with respect to the nomination of a majority of the nominees to stand for election as directors of Bell Aliant Inc. See "Material Contracts — Nomination and Appointment Agreement".

Debt Securities

Debt securities, issued by certain of our subsidiaries, also represent a portion of our capital structure. The consolidated debt securities of Bell Aliant Holdings LP at December 31, 2010, are outlined in the table below:

Debt outstanding as at December 31, 2010 ***$ millions***	**Maturity date**	**Interest Rate (%)**	**Principal amount**
LP Notes:			
	September 26, 2011	4.72%	$405.0
	February 26, 2014	4.95%	400.0
	February 17, 2015	6.29%	350.0
	September 26, 2016	5.41%	500.0
	September 13, 2017	4.37%	350.0
	February 26, 2019	5.52%	300.0
	February 26, 2037	6.17%	300.0
			2,605.0
Télébec LP Debentures:			
Series AA	November 5, 2013	5.75%	70.0
Series BB	June 23, 2020	5.34%	30.0
			100.0
NorthernTel LP Debentures:			
Series O	June 1, 2012	10.25%	2.9
Series T	January 28, 2013	6.00%	2.0
Series P	April 15, 2014	9.21%	8.0
Series S	December 18, 2016	8.02%	8.0
Series U	September 21, 2020	7.37%	16.8
			37.7
Other long-term debt			
Capital leases	2011 - 2017	3.54% to 5.91%	49.9
Mortgage – Télébec	2011	12.50%	2.4
Fair market value allocations	2012 – 2020		3.0
Debt issue costs			(9.7)
			45.6
Long-term debt			**$2,788.3**
Short term debt:			
Bell Aliant LP revolving bank debt			-
Bell Aliant LP non-revolving bank debt			$40.0
Commercial Paper issued by Bell Aliant LP			209.2
Notes payable to Fund			5.3
Notes payable to Bell Aliant Holdings Inc.			43.3
Total Debt			**$3,086.2**

Bell Aliant LP

The LP Notes issued by Bell Aliant LP are issued pursuant a trust indenture dated September 14, 2006, as supplemented (as described in the "Material Contracts" section of this AIF), among Bell Aliant LP, its credit supporters and CIBC Mellon Trust Company, as trustee. The LP Notes are unsecured and rank *pari passu* with all other unsecured and unsubordinated indebtedness of Bell Aliant LP. The credit supporters for the LP Notes include Bell Aliant Inc., Bell Aliant GP and 6583458 Canada Inc. but exclude Télébec LP and NorthernTel LP. Bell Aliant LP's revolving and non-revolving bank debt is issued pursuant to syndicated bank credit facilities which were amended and restated on January 1, 2011, and expire on July 7, 2011 (the **Credit Agreement**). The guarantors under the Credit Agreement include Bell Aliant Inc., Bell Aliant GP, 6583458 Canada Inc. and Prefco, but exclude Télébec LP and NorthernTel LP. See "Material Contracts". Bell Aliant LP may also issue short-term unsecured promissory notes under a $400 million commercial paper program. These notes, of which $209.2 were issued at December 31, 2010, are backed at all times by an unused portion of Bell Aliant LP's revolving bank credit facility.

Télébec LP

The debentures issued by Télébec LP are issued pursuant to a trust indenture dated October 5, 1976, as amended or supplemented, between Télébec LP (as successor to Télébec Ltée) and Computershare Trust Company of Canada (as successor to General Trust of Canada) as trustee. The debentures are secured by a mortgage on an immoveable property located in Val D'Or, Québec, as well as outbuildings on this immoveable property. However, the debentures are largely unsecured obligations of Télébec LP as, at December 31, 2010, the carrying value of this property is $6.3 million.

NorthernTel LP

The debentures issued by NorthernTel LP are issued pursuant to a trust indenture dated September 1, 1951, as amended or supplemented, between NorthernTel LP (as successor to Northern Telephone Company Limited) and Computershare Trust Company of Canada (as successor to The Toronto General Trusts Corporation) as trustee. The debentures are unsecured. Certain series of the NorthernTel LP debentures require periodic scheduled principal repayments prior to maturity.

Constraints

Limitation on Non-Resident Ownership

Under the Broadcasting Act, the Radiocommunication Act, the Telecommunications Act, the regulations thereunder, and the directions by the federal Cabinet to the CRTC, limitations are imposed on the non-Canadian ownership of our voting shares and certain powers are provided to us to maintain compliance with Canadian ownership and control requirements. Bell Aliant GP is able to monitor its level of non-Canadian ownership or control through the transfer restrictions contained in the articles of Bell Aliant GP, namely that its securities, other than non-convertible debt securities, cannot be transferred without the consent of either (a) a majority of the directors of Bell Aliant GP or (b) the holders of at least 51% of the outstanding common shares of Bell Aliant GP.

Ratings

As at the date of this AIF, the securities of Bell Aliant LP, Télébec LP and NorthernTel LP, and Prefco had the following ratings:

	S&P [1]	DBRS [2]
Bell Aliant LP senior unsecured debt	BBB stable outlook	BBB (high) stable trend
Bell Aliant LP commercial paper	Not rated	R-1 (low) stable trend
Télébec LP and NorthernTel LP debentures	BBB stable outlook	BBB (high) stable trend
Prefco Series A Preferred shares	P-3 (high) stable outlook	Pfd-3 (high) stable trend

DBRS rates debt instruments by rating categories ranging from a high of AAA to a low of D. In addition, a designation of “high” or “low” after a rating indicates an issue’s relative strength within the rating category. Each DBRS rating category is appended with one of three rating trends – “Positive”, “Stable”, or “Negative”. The rating trend helps to give the investor an understanding of DBRS’s opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent. Similarly, S&P ratings range from a high of AAA to a low of D and the issue’s relative strength is indicated by a “plus” or a “minus” after the rating. The lack of one of these designations indicates a rating that is essentially in the middle of the category. An S&P rating outlook of “Positive”, “Stable” or “Negative” assesses the potential direction of a long-term credit rating over the intermediate term (typically up to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future credit-watch action.

According to the DBRS rating system, debt securities rated BBB (high) are of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities. According to the S&P rating scale, obligations rated BBB exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of Bell Aliant LP, Télébec LP or NorthernTel LP to meet their financial commitments on their debt.

The DBRS commercial paper and short-term debt rating scale is meant to give an indication of the risk that a borrower will not fulfill its near-term debt obligations in a timely manner. DBRS rates commercial paper by rating

[1] S&P is a trade-mark of Standard & Poor’s, a division of The McGraw-Hill Companies, Inc.
[2] DBRS is a trade-mark of DBRS Limited and DBRS, Inc.

categories ranging from a high of R-1 to a low of D (after R-5). In addition, a designation of “high”, “middle” or “low” after a rating indicates an issue’s relative strength within the rating category. Each DBRS rating category is appended with one of three rating trends – “Positive”, “Stable”, or “Negative”. The rating trend helps to give the investor an understanding of DBRS’s opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent.

According to the DBRS rating system, commercial paper rated R-1(low) is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and Bell Aliant LP is of sufficient size to have some influence in its industry.

The DBRS preferred share ratings are meant to give an indication of the risk that the borrower will not fulfill its full obligations in a timely manner, with respect to both dividends and principal commitments. DBRS rates preferred shares with rating categories from Pfd-1 to a low of D (after Pfd-5). In addition, a designation of “high” or “low” after a rating indicates an issue’s relative strength within the rating category. The lack of one of these designations indicates a rating that is essentially in the middle of the category. A Standard & Poor's preferred share rating on the Canadian scale is a current assessment of the creditworthiness of an obligor with respect to a specific preferred share obligation issued in the Canadian market, relative to preferred shares issued by other issuers in the Canadian market. There is a direct correspondence between the specific ratings assigned on the Canadian preferred share scale and the various rating levels on the global debt rating scale of Standard & Poor's. S&P rates preferred shares with rating categories from P-1 to a low of D (after P-5 and C). In addition, a designation of “high”, “mid”, or “low” after a rating indicates an issue’s relative strength within the rating category.

According to DBRS, preferred shares rated Pfd-3 are of adequate credit quality**.** While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adversities present which detract from debt protection. Pfd-3 ratings generally correspond with companies whose senior bonds are rated in the higher end of the BBB category. The “P-3(high)” rating by S&P is the highest of the three sub-categories within the third highest rating of the eight standard categories of ratings utilized by S&P for preference shares. According to S&P, preferred shares rated P-3 exhibit adequate protection parameters and are less vulnerable to non-payment than other speculative issues.

A rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn at any time. Ratings do not take into consideration such factors as pricing or market risk of the debt.

MARKET FOR SECURITIES

The shares of Bell Aliant GP are not listed or quoted on any market. The Series A Preferred Shares issued by Prefco are listed on the Toronto Stock Exchange under the symbol “BAF.PR.A”.

DIRECTORS AND OFFICERS

The persons listed in the chart below serve as directors of Bell Aliant Inc. and Bell Aliant GP. Bell Aliant GP is the general partner of Bell Aliant LP. The term of office of the directors of Bell Aliant Inc. and Bell Aliant GP ends at the conclusion of the next annual meeting of shareholders of Bell Aliant Inc. and Bell Aliant GP, respectively. The composition of the board of directors of Bell Aliant GP and the nominee for election as directors of Bell Aliant Inc. is governed by the Securityholders’ Agreement described above under the heading “Other Material Agreements – Securityholders’ Agreement”. Except for Ms. Bennett, all of the directors listed below served as directors of Bell Aliant Holdings Inc. and Bell Aliant Regional Communications Inc. (the predecessor corporations of Bell Aliant GP) in 2010.

The board of directors of Bell Aliant GP has established the following committees: Audit, Governance, Management Resources and Compensation and Pension. The board of directors of Bell Aliant Inc. has established the same committees with the exception of the Pension Committee. Membership on these committees is shown in the table below.

The name, board position, committee membership, principal occupation and Province of residence for each of the directors of Bell Aliant Inc. and Bell Aliant GP as at March 1, 2011, and the period during which they have served as a director (including as a director of Aliant and Bell Aliant Holdings Inc. and Bell Aliant Regional Communications Inc. (the predecessor corporations of Bell Aliant GP) are shown in the table below:

Name and Committee Membership	**Principal Occupation**	**Province and Country of Residence**	**Director Since** [(1)]
George Cope [(2)] (Chair)	President and Chief Executive Officer of BCE and Bell Canada	Ontario, Canada	July 2008
Catherine Bennett Audit committee	Chief Executive Officer of Bennett Restaurants Ltd., a restaurant operator and Bennett Group of Companies, a private holding company	Newfoundland and Labrador, Canada	February 2011
Kevin Crull Pension committee	Chief Operating Officer of CTVglobemedia, a multimedia company	Ontario, Canada	July 2006
Robert Dexter, Q.C. Audit committee, Governance committee (chair), and Management Resources and Compensation committee (chair)	Chairman and Chief Executive Officer of Maritime Travel Inc., an independent travel company	Nova Scotia, Canada	April 1999
Edward Reevey, FCA Lead independent director, Audit committee (chair), Pension committee (chair) Governance committee, and Management Resources and Compensation committee	Chairman and Chief Executive Officer of Eedda Capital Inc., a private holding company	New Brunswick, Canada	April 1999
Karen Sheriff [(2)]	President and Chief Executive Officer of Bell Aliant Inc. and Bell Aliant GP	Nova Scotia and Ontario, Canada	June 2004
Andrew Smith [(3)] Pension committee	Senior Vice-President Corporate Strategy and Mergers and Acquisitions of BCE Inc. and Bell Canada	Ontario, Canada	November 2008
Louis Tanguay [(4)] Audit committee, Governance committee and Management Resources and Compensation committee	Corporate Director	Québec, Canada	July 2006
Siim Vanaselja Governance committee, Management Resources and Compensation committee and Pension committee	Executive Vice-President and Chief Financial Officer of BCE and Bell Canada	Québec, Canada	July 2008
David Wells Governance committee and Management Resources and Compensation committee	Executive Vice-President of Corporate Services of Bell Canada	Ontario, Canada	July 2008

(1) Includes Aliant and Bell Aliant Holdings Inc. and Bell Aliant Regional Communications Inc. (the predecessor corporations of Bell Aliant GP).

(2) George Cope, chair of the Bell Aliant Inc. and Bell Aliant GP boards, and Karen Sheriff, chief executive officer may attend all committee meetings in a non-voting capacity.

(3) Andrew Smith was appointed to the board of Bell Aliant Holdings Inc. effective November 3, 2008 and resigned May 1, 2009. Mr. Smith was appointed to the board of Bell Aliant Holdings Inc. and to the Pension Committee effective June 16, 2010.

(4) Mr. Tanguay was a director of SR Telecom Inc. ("SR Telecom"). SR Telecom was subject to a management cease trade order exceeding 30 days from April 2, 2007 through July 19, 2007. On November 19, 2007, SR Telecom filed for protection from its creditors under the *Companies' Creditors Arrangement Act (*the "CCAA".). The CCAA proceedings were completed in December 2008.

All of the directors of Bell Aliant Inc. and Bell Aliant GP have been employed in the designated principal occupation for the preceding five years, except as follows:

- Mr. Cope was President and Chief Operating Officer of Bell Canada from October 2005 to July 2008.
- Mr. Crull was President, Residential Services of Bell Canada from September 2005 until November 2010 and was President - Consumer Solutions of Bell Canada from March 2005 to September 2005.
- Mr. Reevey was Chairman and Chief Executive Officer of Addee Developments Limited, a private holding company, until December 2006.
- Ms. Sheriff was Chief Operating Officer of Bell Aliant GP from July 2008 to November 2008 and President, Small and Medium Business of Bell Canada from June 2003 to July 2008.
- Mr. Smith was Vice-President, Corporate Development of BCE Inc. and Bell Canada from February 2007 to July 2008 and was Vice-President Mergers and Acquisitions BCE Inc., and Bell Canada from January 2005 to February 2007.
- Mr. Wells was a consultant to Bell Canada from January 2008 to July 2008. Prior to this he was Executive Vice-President of Employee Services with TELUS Mobility, a business operated by TELUS Corporation from October 2000 to June 2006.

Victor Young, O.C, did not stand for re-election as a director of Bell Aliant Holdings Inc. and Bell Aliant Regional Communications Inc. (the predecessor corporations of Bell Aliant GP) or as trustee of the Fund (predecessor to Bell Aliant Inc.) and his term ended on June 16, 2010.

The following persons serve as executive officers of Bell Aliant GP. The name, position with Bell Aliant GP and Province of residence for each of the executive officers as at March 1, 2011, appears below:

Name	**Position with Bell Aliant**	**Province and Country of Residence**
George Cope	Chair	Ontario, Canada
Edward Reevey, FCA	Lead Independent Director	New Brunswick, Canada
Karen Sheriff	President and Chief Executive Officer	Nova Scotia and Ontario, Canada
Frederick Crooks, Q.C.	Executive Vice President Corporate Services, Chief Legal Officer and Secretary	Nova Scotia, Canada
Glen LeBlanc, FCMA	Executive Vice President and Chief Financial Officer	Nova Scotia, Canada
Mary-Ann Bell	Senior Vice President, Central	Québec, Canada
Charles Hartlen	Senior Vice President, Customer Experience	Nova Scotia, Canada
Daniel McKeen	Senior Vice President, Customer Solutions	Nova Scotia, Canada

All of the executive officers have held their current position or other positions with Bell Aliant GP, the predecessor corporations of Bell Aliant GP (Bell Aliant Holdings Inc. and Bell Aliant Regional Communications Inc.), Aliant, or a wholly-owned subsidiary of any of the foregoing corporations during the past five years with the exception of the following:

- Mr. Cope was President and Chief Operating Officer of Bell Canada from October 2005 to July 2008.
- Mr. Reevey was Chairman and Chief Executive Officer of Addee Developments Limited, a private holding company, until December 2006.
- Ms. Sheriff was Chief Operating Officer of Bell Aliant GP from July 2008 to November 2008 and President, Small and Medium Business of Bell Canada from June 2003 to July 2008.
- Ms. Bell was Senior Vice-President Operations BRT (Bell Regional Territories) Transition with Bell Canada from November 2005 to July 2006. Prior to that she was Senior Vice-President Contact Centres with Bell Canada from June 2003 to November 2005.

- Mr. McKeen was Deputy Chair of External Affairs with Bragg Communications Inc., a telecommunication company, operating under the EastLink brand, from July 2009 to October 2009. Prior to that he was co-Chief Executive Officer of Bragg Communications Inc., a telecommunication company, operating under the EastLink brand from 1999 to July 2009.

Conflicts of Interest

Certain of the directors of Bell Aliant Inc. and Bell Aliant GP are also directors or officers of BCE, Bell Canada and/or their affiliates. There are significant commercial relationships and agreements between BCE and its affiliates and members of the Bell Aliant Group, including Bell Aliant LP and the Bell Nordiq Partnerships, which may give rise to the potential for conflict of interest. The provisions of the CBCA relating to conflicts of interest apply to persons who are directors or officers of Bell Aliant Inc. and Bell Aliant GP.

LEGAL PROCEEDINGS

Note 23 to Bell Aliant Holdings LP's consolidated financial statements for the year ended December 31, 2010, incorporated by reference herein, describes important legal proceedings relating to Bell Aliant Holdings LP (now succeeded by Bell Aliant GP) and its subsidiaries. While we cannot predict the final outcome of the claims and litigation described therein or any other pending claims, management believes that the resolution of these claims and litigation will not have a material negative effect on our consolidated financial position or results of operations.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

BCE had a 44.1 per cent voting interest in the Fund as at December 31, 2010, and a 44.1 per cent ownership interest in Bell Aliant Inc. as at March 31, 2011. As described above under the heading "Other Material Agreements – Securityholders' Agreement", the Securityholders' Agreement provides that so long as BCE, directly or indirectly, holds not less than 30 per cent of the Bell Aliant Inc. common shares outstanding, and certain commercial agreements with Bell Canada have not been terminated, BCE shall be entitled to appoint up to a majority of the directors of Bell Aliant GP and other material subsidiaries of Bell Aliant Inc. As long as BCE directly or indirectly holds not less than 20 per cent of the Bell Aliant Inc. common shares outstanding, BCE has certain consent rights, including the right to approve the appointment or removal of any Chief Executive Officer. In addition, the Securityholders' Agreement provides BCE and Bell Canada with pre-emptive rights to purchase securities in the event that Bell Aliant Inc. common shares, securities convertible into Bell Aliant Inc. common shares, or debt securities are issued by the Bell Aliant Inc. or its subsidiaries.

The Bell Aliant Group has entered into a series of commercial agreements which govern the relationship with Bell Canada. These agreements provide the Bell Aliant Group with the telecommunications and support services required to operate the wireline and Internet access operations in territories previously covered by Bell Canada. The agreements also provided Bell Canada with the telecommunications and support services required for Bell Canada to operate its wireless business within Atlantic Canada; however, this was largely in-sourced by Bell Canada during 2008. In addition, there is an extensive Commercial Relationship Management Agreement that governs the relationship with respect to non-competition, customer primeship, branding and term and termination. Further information regarding the relations with Bell Canada and BCE can be found in note 25 to our consolidated financial statements for the year ended December 31, 2010, which note is incorporated by reference herein, available on SEDAR at www.sedar.com.

Other than as set out in this AIF, none of the directors or executive officers, as applicable, of Bell Aliant GP or Bell Aliant Inc., or any associate or affiliate of such persons, has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect Bell Aliant GP, Bell Aliant Inc. or any of their subsidiaries.

MATERIAL CONTRACTS

The following is a list of our "material contracts" required to be filed on SEDAR under National Instrument 51-102 - *Continuous Disclosure Obligations*, and that were entered into within the most recently completed financial year or prior to the most recently completed financial year and that are still in effect:

- the Bell Aliant LP Partnership Agreement;

- the Securityholders' Agreement;
- the Administration Agreement;
- the Investor Liquidity Agreement;
- the amended and restated Credit Agreement, dated as of January 1, 2011, among Bell Aliant LP, as borrower, Bell Aliant Inc., Bell Aliant GP, 6583458 Canada Inc., and Prefco, as guarantors, and a syndicate of lenders which provides for a total of $997,575,000 in bank credit facilities;
- the LP Notes indenture dated September 14, 2006 as supplemented among Bell Aliant LP, Bell Aliant Inc., Bell Aliant GP, 6583458 Canada Inc., and CIBC Mellon Trust Company providing for the issuance of medium-term notes by Bell Aliant LP (including any supplement thereof);
- the Connecting and Operating Agreement, as described in note 25 to Bell Aliant Holdings LP's financial statements for the year ended December 31, 2010, which note is incorporated by reference herein;
- the Commercial Relationship Management Agreement, as described in note 25 to Bell Aliant Holdings LP's financial statements for the year ended December 31, 2010, which note is incorporated by reference herein;
- the Bell Licence Agreement;
- the Omnibus Term Sheet together with the following schedules:
    - Term Sheet #5 for the Master Services Agreement;
    - Term Sheet #6 for the Network Services Agreement;
    - Term Sheet # 8 for the Intellectual Property Licence Agreement; and
- Term Sheet #11 for the Master Information Technology Services Agreement;
- the Bilateral Intellectual Property Sharing Agreement;
- the Series A Guarantee and the Series B Guarantee, each described under "Description of Capital Structure – Capital Structure of Prefco";
- the Nomination and Appointment Agreement; and
- the asset purchase agreement dated October 26, 2010 between Bell Aliant LP and Bell Canada, relating to the sale of Bell Aliant LP's xwave division to Bell Canada (**xwave Sale Agreement**).

The following is a summary description of the material attributes and characteristics of the material contracts mentioned above and not described elsewhere in this AIF, and is qualified in its entirety by reference to the full text of the applicable contracts available on SEDAR at www.sedar.com.

Credit Agreement

The Credit Agreement provides for the following bank credit facilities:

(a) a revolving term facility for up to an aggregate amount of $550 million, expiring July 7, 2011; and

(b) a non-revolving term facility for up to an aggregate amount of $447.575 million, expiring July 7, 2011, to be used as necessary to fund pension deficit payments or provide for letters of credit in lieu of cash funding of pension deficits.

The facilities are repayable without any prepayment penalties and, when drawn, bear interest at floating rates based on either the Canadian prime or U.S. base rates of a Canadian chartered bank, LIBOR or at the rate for bankers' acceptances, as applicable to the types of draws made. The margin over these base rates of interest would increase if Bell Aliant LP's credit rating was to deteriorate.

The facilities are guaranteed by Bell Aliant Inc., Bell Aliant GP, 6583458 Canada Inc. and Prefco.

The Credit Agreement contains customary terms and conditions for investment-grade borrowers, including limits on incurring additional indebtedness, creation of encumbrances on property, sale, lease or other disposition of assets, and the payment of any non-permitted distributions without the consent of the lenders. Specifically, distributions made by Bell Aliant GP and ultimately Bell Aliant Inc. may be restricted to 100 per cent of distributable cash (as defined in the Credit Agreement) if Bell Aliant LP's credit rating was to fall below investment grade (below BBB- level). The Credit Agreement is also subject to customary covenants, including the requirement to maintain a debt-to-EBITDA (as defined in the Credit Agreement) ratio of 3.0 times or less and, if Bell Aliant LP's credit rating falls below investment grade, an additional requirement to maintain the ratio of EBITDA (as defined in the Credit Agreement) to interest expense to 3.5 times or less.

LP Notes Indenture

The LP Notes issued by Bell Aliant LP are issued pursuant a trust indenture dated September 14, 2006, as supplemented, among Bell Aliant LP, its credit supporters and CIBC Mellon Trust Company, as trustee. The LP Notes are unsecured and rank *pari passu* with all other unsecured and unsubordinated indebtedness of Bell Aliant LP. The credit supporters for the LP Notes include Bell Aliant Inc., Bell Aliant GP and 6583458 Canada Inc., but exclude Télébec LP and NorthernTel LP.

Additional LP Notes may be issued by Bell Aliant LP from time to time under the LP Notes indenture. The LP Notes indenture includes customary covenants, including restrictions on granting certain security and incurring additional long-term indebtedness unless certain financial tests are met, and customary events of default. Distributions by Bell Aliant LP and by us, and ultimately by Bell Aliant Inc., could be restricted if an event of default under the LP Notes indenture were to occur and not be remedied or waived. A copy of the LP Notes indenture is available on SEDAR at www.sedar.com.

xwave Sale Agreement

Bell Aliant announced on October 26, 2010 that it had entered into a definitive agreement to sell its xwave division to Bell Canada. The sale transaction was completed pursuant to the terms of the xwave Sale Agreement and closed on January 1, 2011. Under the terms of the xwave Sale Agreement, Bell Canada acquired substantially all of the assets of Bell Aliant LP's xwave division, including those of Bell Aliant LP's wholly owned subsidiary xwave US Inc., and assumed substantially all of the liabilities and obligations of Bell Aliant LP with respect to xwave (with the exception of liabilities related to, among other things, income and commodity taxes incurred before closing; certain pre-closing employee obligations; change of control obligations; and certain litigation-related obligations). Upon closing, substantially all of the employees of xwave became employees of Bell Canada. The purchase price for the xwave division was $40 million payable in cash at closing, and was subject to a post closing adjustment for working capital The xwave Sale Agreement contains certain representations and warranties by Bell Aliant with respect to, among other things, due authorization and execution; the enforceability of obligations; absence of conflict; ownership of assets and absence of liens; the preparation of financial statements in accordance with GAAP; ability to bill and collect work in progress and accounts receivable; the status of material contracts; the nature of outstanding product warranty obligations; and the status of current litigation. The representations and warranties survive for varying periods following the closing, depending on the nature of the representation or warranty, ranging from 18 months to indefinitely. Bell Aliant LP agreed to indemnify Bell Canada for breaches of covenants, representations or warranties provided an indemnity claim is brought within the applicable survival period, to a maximum of the amount of the purchase price, subject to certain limited exceptions. In connection with the sale, Bell Canada agreed to appoint Bell Aliant LP as its non-exclusive sales agent for xwave services to customers in Bell Aliant LP's operating territories. Bell Aliant LP also agreed not to compete with the xwave business or solicit its suppliers and customers for a period of five years and not to solicit employees or consultants of the xwave business for a period of two years.

Nomination and Appointment Agreement

In connection with the issue by Prefco of Series A Preferred Shares, Bell Aliant Inc. and Prefco entered into the Nomination and Appointment Agreement which sets forth certain rights for holders of preference shares of Prefco to select a person to be nominated for election as a director of Bell Aliant Inc. and the procedures applicable thereto.

In the event that Prefco shall have failed to pay six quarterly dividends on the Series A Preferred Shares and/or the Series B Preferred Shares, as applicable, at the applicable dividend rate for such shares, the holders of record of Series A Preferred Shares and/or Series B Preferred Shares, as applicable, together with the holders of record of any other preference shares of Prefco with respect to which any director nomination or appointment right as a result of the failure of Prefco to pay dividends is then in force, shall have the right, together as a single class, to direct Prefco to propose one nominee to stand for election as a director of Bell Aliant Inc., in the manner set out below, or to cause the board of directors of Bell Aliant Inc. to appoint an additional director to its board, as selected by such holders, in the circumstances and in the manner set forth below. Such nominee must be independent for purposes of applicable securities laws, qualified to act as a director under the CBCA and the requirements of any stock exchange or market on which Bell Aliant Inc.'s securities may be listed or quoted from time to time, and must be a resident Canadian for purposes of the CBCA and Canadian for purposes of any other applicable law (including the Telecommunications Act, the Broadcasting Act and the Radiocommunication Act).

Under the Nomination and Appointment Agreement, Bell Aliant Inc. has agreed to nominate the candidate selected by the holders of the Series A Preferred Shares and/or Series B Preferred Shares (together with the holders of any other preference shares of Prefco with respect to which any director nomination or appointment right as a result of the failure of Prefco to pay dividends is then in force) and designated by Prefco in order to be considered for election by shareholders of Bell Aliant Inc. eligible to vote in accordance with the articles and by-laws of Bell Aliant Inc., at meetings of shareholders of Bell Aliant Inc. at which directors are to be elected and which occur not less than ninety (90) days after the date on which Prefco's failure to pay the six quarterly dividends as set forth above first occurred. When such dividends are paid in full, the foregoing right shall be suspended. The rights will become effective again at such time as Prefco shall again fail to pay the applicable dividend(s) for any six quarters, as described above. In the absence of instructions from the applicable holders of preference shares of Prefco as to a nominee, Prefco will not put forward a nominee for consideration for election at an applicable shareholders' meeting of Bell Aliant Inc.

If the rights to select a director nominee or appointee become exercisable, Prefco will, in good faith, select at least two qualified and independent nominee candidates, notify the holders of record of Series A Preferred Shares and/or Series B Preferred Shares and holders of record of any other preference shares of Prefco entitled to such rights, as applicable, of such candidates and provide a means for such holders to vote for or select a nominee from among such candidates, or to vote for or select a candidate of their own choice (provided such candidate meets the independence and eligibility criteria set forth above), in a manner acceptable to Prefco, acting reasonably, having regard to the timelines in which nominees for election as a director of Bell Aliant Inc. must be determined and materials for the applicable meeting of Bell Aliant Inc. shareholders must be finalized and delivered or otherwise made available.

In addition to the foregoing, if these rights become exercisable at a time when BCE does not have the right to direct Bell Aliant Inc. with respect to the nomination of a majority of the nominees to stand for election as directors of Bell Aliant Inc., Bell Aliant Inc. has agreed to appoint the individual selected by the holders of applicable preference shares of Prefco, in the manner described above, as a director of Bell Aliant Inc. promptly upon such individual having been selected and Prefco notifying Bell Aliant Inc. of such selection.

The Nomination and Appointment Agreement will terminate when there are no longer outstanding any Series A Preferred Shares or Series B Preferred Shares or other preference shares of Prefco that may be entitled to the Nomination and Appointment Rights or shares convertible into or exchangeable for Series A Preferred Shares, Series B Preferred Shares or such other preference shares of Prefco, respectively.

Other Agreements with BCE and Bell Canada

Under the Securityholders' Agreement, BCE has certain rights in respect of the board of Bell Aliant GP including the right to appoint up to a majority of directors for so long as BCE and Bell Canada, directly or indirectly, hold not less than 30 per cent of the outstanding Bell Aliant Inc. common shares and certain commercial agreements are in place. As a result of these rights, BCE controls the board of Bell Aliant GP, and thus Bell Aliant LP. The written consent of BCE is also required, along with the majority vote from the board, prior to undertaking certain matters or transactions for so long as BCE and Bell Canada, directly or indirectly, hold not less than 20 per cent of the outstanding Bell Aliant Inc. common shares. See “Other Material Agreements – Securityholders' Agreement”.

In 1999, we entered into a Memorandum of Agreement (**MOA**) with BCE and Bell Canada. This long-term strategic alliance agreement describes the understanding among us, BCE and Bell Canada with respect to the offering, marketing and provisioning of certain telecommunications services on a cooperative basis. Through this MOA, we gained access to Bell Canada's technology, the exclusive right to use specified Bell Canada trade-marks in our territory and a license to use Bell Canada's promotional materials. Bell Canada agreed to promote the use and sale of technology and intellectual property developed by us. We agreed to provide each other with support services, including operational, technical, marketing, training and other support services. The MOA continues to apply to our operations in Atlantic Canada, subject to certain amendments that were made to the MOA in connection with the acquisition in July 2006 of Bell Canada's wireline operation in Ontario and Québec and Bell Nordiq Group Inc. In July 2006, in connection with the Arrangement we entered into a series of long-term commercial agreements with Bell Canada, which provide us with a broad range of technical, operational and human resource support services required for us to operate the wireline and Internet access operation previously operated by Bell Canada in the Ontario and Québec regional territory (**Bell Aliant Central Territory**). These include the Omnibus Term Sheet; Term Sheet #5 for the Master Services Agreement; Term Sheet #6 for the Network Services Agreement; Term Sheet #8 for the Intellectual Property License Agreement; and Term Sheet #11 for the Master Information Technology Services Agreement.

These agreements permit us to continue to receive the commercial and telecommunications services that Bell Canada was providing to us in Atlantic Canada prior to 2006. Any pre-existing commercial agreements between us and Bell Canada, which were not amended or replaced by the commercial agreements entered into in 2006, continue to apply. The commercial agreements also provide Bell Canada with the telecommunications and support services from us required to operate its wireless operation in the Bell Aliant Central Territory and in Atlantic Canada; however, these services were largely in-sourced by Bell Canada during 2008 and 2009.

In July 2006, we also entered into a Commercial Relationship Management Agreement (**CRMA**) with Bell Canada, which governs our general commercial relationship and addresses matters such as marketing co-operation, customer primeship and non-competition, and branding. The CRMA, together with certain agreements it refers to, also amends certain provisions of the MOA and extends the term of the MOA to that of the CRMA.

The CRMA will automatically terminate upon termination or expiration of the Connecting and Operating Agreement, which we entered into with Bell Canada in 2006. Pursuant to the Connecting and Operating Agreement, the parties have agreed to interconnect their respective telecommunications systems for the exchange of telecommunications traffic. This agreement has an original term of 15 years from July 7, 2006, with automatic renewals for consecutive five year periods, unless four years prior notice of non-renewal is provided by one of the parties. The Connecting and Operating Agreement may be terminated for material breach at any time by a party, if (a) the parties mutually agree that the breach has occurred and has not been cured, or (b) a court or arbitrator makes a final and unappealable determination that the other party has materially breached the agreement and has not cured the breach within the appropriate contractual timeframe.

The CRMA and the other commercial agreements may also be terminated by Bell Canada in the event that, without Bell Canada's prior consent, a competitor of Bell Canada acquires, directly or indirectly, more than 30 per cent of Bell Aliant LP or *de facto* control of it or its business. In addition, Bell Canada is entitled to terminate, at its sole discretion, its provision of services to us in circumstances where Bell Canada is ceasing to offer the corresponding services to its customers. Further, Bell Canada is entitled to terminate at its discretion many of the commercial agreements by giving two years prior notice of its intention to terminate the relevant commercial agreement, provided that such notice is not given prior to a fixed date, which is generally July 7, 2011. We are generally permitted to terminate and repatriate services provided to us by Bell Canada in the Bell Aliant Central Territory upon two years notice.

We also have an agreement with Bell Canada that provides access to certain of each other's intellectual property (**Bilateral Intellectual Property Sharing Agreement**), in addition to providing us with access to Bell

Canada's engineering and network intellectual property. As part of the Arrangement, we entered into Term Sheet #8 for the Intellectual Property Licence Agreement which reaffirms the Bilateral Intellectual Property Sharing Agreement and extends its application to the Bell Aliant Central Territory.

In connection with the Arrangement, we entered into trade-mark license agreements with Bell Canada whereby each party and its affiliates are permitted to use the trade-marks of the other party in accordance with the terms of the license for 30 years (subject to an additional 10 year renewal on request by the licensee, at the licensor's discretion). The agreement with respect to the Bell Canada trade-marks is the Bell License Agreement.

Financial information relating to these and other agreements with Bell Canada and its controlled investees is contained in note 25 to our financial statements for the year ended December 31, 2010, which note is incorporated by reference herein.

TRANSFER AGENTS AND REGISTRAR

The transfer agent and registrar for the common shares of Bell Aliant GP is Bell Aliant GP at its head office in Halifax, Nova Scotia, Canada. The transfer agent and registrar for Series A Preferred Shares of Prefco is CIBC Mellon Trust Company at its principal office in Halifax, Nova Scotia, Canada.

INTERESTS OF EXPERTS

Deloitte & Touche, LLP, our auditors, has provided an audit report on the financial statements of Bell Aliant Holdings LP for the year ended December 31, 2010. Deloitte & Touche LLP is independent of Bell Aliant Holdings LP, and is independent of Bell Aliant GP, in accordance with the rules of professional conduct in the province of Nova Scotia.

ADDITIONAL INFORMATION

Additional information relating to Bell Aliant GP and Bell Aliant Inc., including our annual and quarterly financial statements, news releases and other continuous disclosure documents, may be found on SEDAR at www.sedar.com.

Additional financial information is provided in financial statements and management's discussion and analysis of Bell Aliant Holdings LP for the year ended December 31, 2010.

In addition, quarterly reports, annual reports and supplementary information can be found under the "Investor" section on our website at www.bellaliant.ca.

SCHEDULE 1: AUDIT COMMITTEE INFORMATION

1. The Audit Committee's Charter

As at March 31, 2011, the Audit Committee (committee) of Bell Aliant GP consisted of 4 Directors. The committee's charter is available in the governance section of the Bell Aliant Group's website at www.bellaliant.ca and is attached as Schedule 2 to this AIF. Also included with Schedule 2 is a copy of the audit committee chair responsibilities, as outlined in the committee's charter.

2. Composition of the Audit Committee

The committee is composed of the following four members: Edward Reevey (chair), Catherine Bennett, Robert Dexter and Louis Tanguay. Each member of the committee is an external and independent director and is financially literate.

For the purposes of National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (NI 58-101) and National Instrument 52-110 - *Audit Committees* (NI 52-110), 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 (or equivalent body), 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 GP board is responsible for determining whether a director is "independent" for the purposes of NI 58-101 and NI 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 Bell Aliant Group which could reasonably interfere with the exercise of independent judgment. To assist with this process, information is obtained from directors as to their particular circumstances and relationships, including through an annual questionnaire completed by directors.

Based on information provided by individual directors, the board has concluded that each member of the committee is "independent" within the meaning of NI 58-101 and NI 52-110.

The responsibilities and duties of the committee are set out in the committee's charter, attached as Schedule 2 to this AIF.

3. Relevant Education and Experience

The following sets out the education and experience of each director relevant to the performance of his/her duties as a member of the committee.

Edward Reevey, F.C.A., is Chair of the committee. Mr. Reevey is Chairman and Chief Executive Officer of Eedda Capital Inc., a private holding company. 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. Mr. Reevey worked previously with Clarkson Gordon & Co. (now Ernst & Young) in Montreal, from 1965 to 1968 and H.R. Doane & Co. in Saint John from 1968 to 1970. He was President of Autotec Inc. from 1970 to 1994 and was Chairman and Chief Executive Officer of Addee Developments Ltd. until 2006.

Catherine Bennett has been chief executive officer of Bennett Restaurants Ltd. and Bennett Group of Companies since 1999 and 2007, respectively. She is a director of Nalcor Energy, Newfoundland and Labrador Hydro and Bull Arm Site Corporation.

Robert Dexter, Q.C., holds both a Bachelor's degree in Commerce and a Bachelor's degree in Law from Dalhousie University and was appointed Queen's Counsel in 1995. He is Chairman and Chief Executive Officer of Maritime Travel Inc. and is also counsel to the law firm Stewart McKelvey. He is Chair of the audit committee of High Liner Foods Inc. and Chairman of Empire Company Limited.

Louis Tanguay is a Corporate Director. Mr. Tanguay was President and Chief Executive Officer of Bell Canada International Inc. from 2000 to November 2001 and Vice-Chairman of Bell Canada International Inc. from 2001 to May 2003. Mr. Tanguay holds a Bachelor's degree in Commerce from Concordia University. He serves on the audit committee of Saputo Inc. (chair), and has served on the audit committees of Canbras Communications Corp., Medisys Health Group Inc., and SR Telecom Inc.

4. Reliance on Certain Exemptions

Bell Aliant Holdings Inc. did not rely on any of the exemptions in sections 2.4 (De Minimis Non-audit Services), 3.2 (Initial Public Offerings), 3.4 (Events Outside Control of Member), 3.5 (Death, Disability or Resignation of Audit Committee Member) or Part 8 (Exemptions) at any time since January 1, 2010.

5. Reliance on Exemption in Subsection 3.3(2) or Section 3.6

Bell Aliant Holdings Inc. did not rely on the exemption in subsection 3.3(2) (*Controlled Companies*) or section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*) at any time since January 1, 2010.

6. Reliance on Section 3.8

Bell Aliant Holdings Inc. did not rely on section 3.8 (*Acquisition of Financial Literacy*) at any time since January 1, 2010.

7. Audit Committee Oversight

At no time since January 1, 2010 has the board of Bell Aliant Holdings Inc. not adopted a recommendation of the audit committee to nominate or compensate an external auditor.

8. Pre-Approval Policies and Procedures

In compliance with NI 52-110, the committee is responsible for the appointment, compensation and oversight of the work of the external auditor. Bell Aliant Inc. and Bell Aliant GP have adopted an Auditor Independence Policy, a comprehensive policy governing all aspects of Bell Aliant Group's relationship with the external auditor, including:

- Establishing a process for determining whether various audit and other services provided by the external auditor affect its independence;
- Identifying the services that the external auditor may and may not provide to Bell Aliant Inc. and its subsidiaries;
- Pre-approving all services to be provided by the external auditor; and
- Establishing a process outlining procedures (as part of a separate policy) when hiring current or former personnel of the external auditor in a financial oversight role to ensure auditor independence is maintained.

The Auditor Independence Policy is available in the governance section of the Bell Aliant Inc.'s website at www.bellaliant.ca.

9. External Auditor Service Fees (By Category)

Deloitte & Touche LLP was appointed as Bell Aliant Holdings LP's auditors in July 2006. Fees incurred for the years ended December 31, 2010, and 2009 are $2.3 million and $2.3 million, respectively, and are detailed below.

	2010	**2009**
Audit fees	$1,600,700	$1,722,700
Audit-related fees	614,807	586,112
Other fees	71,695	9,600
	$2,287,202	$2,318,412

Audit fees

These fees include professional services rendered by the external auditors for the review of the interim financial statements, statutory audits of the annual financial statements and review of financial accounting and reporting matters.

Audit-related fees

These fees include professional services that reasonably relate to the above services, including non-statutory audits, pension plan audits, review of prospectuses, consultations about financial accounting and reporting matters and French translation of quarterly and annual reports.

Other fees

These fees include any other fees for permitted services not included in any of the above-stated categories.

SCHEDULE 2: AUDIT COMMITTEE CHARTER

AUDIT COMMITTEE CHARTER

I. Purpose

The purpose of the Audit Committee is to assist the Board in their oversight of:

A. the integrity of Bell Aliant's financial statements and related information;
B. Bell Aliant's compliance with applicable legal and regulatory requirements;
C. the independence, qualifications and appointment of the external auditor;
D. the performance of Bell Aliant's external auditor and internal auditor;
E. management's responsibility for internal control and risk management;
F. the administration, funding and investment of Bell Aliant's pension plans ("Plan") and fund; and
G. Bell Aliant's environmental risks.

In this Charter, references to the "**Board**" refer to the Board of Directors of Bell Aliant Inc., Bell Aliant Regional Communications Inc., and 6583458 Canada Inc., as applicable.

II. Duties and Responsibilities

The Audit Committee shall perform the functions customarily performed by audit committees and any other functions assigned by the Board.

In particular, the Audit Committee shall have the following duties and responsibilities:

A. ***Financial reporting and control***

1. On a periodic basis, review and discuss with management and the external auditor the following:
    a. major issues regarding accounting principles and financial statement presentation, including any significant changes in Bell Aliant's selection or application of accounting principles, and major issues as to the adequacy of Bell Aliant's internal controls and any special audit steps adopted in light of material control deficiencies;
    b. analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles methods on the financial statements when such alternatives have been selected in the current reporting period;
    c. the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of Bell Aliant; and
    d. the type and presentation of information to be included in earnings news releases (including any use of pro-forma or adjusted non-generally accepted accounting principles or information).
2. Meet to review and discuss with management and the external auditor, report and, where appropriate, provide recommendations to the Board on the following prior to its public disclosure:
    a. the annual and interim consolidated financial statements, Bell Aliant's disclosure within Management's Discussion and Analysis, Annual Information Form, earnings news releases, financial information and any earnings guidance provided to analysts and rating agencies and the integrity of the financial reporting of Bell Aliant; and
    b. any audit problems or difficulties and management's response thereto, including any restrictions on the scope of the activities of the external auditor or access to requested information and any significant disagreements with management.

    In addition to the role of the Audit Committee to make recommendations to the Board, where the members of the Audit Committee consider that it is appropriate and in the best interest of Bell Aliant, the interim consolidated financial statements, the interim Bell Aliant's disclosure within Management's Discussion and Analysis for interim period, and interim earnings news releases and earnings guidance, may also be approved on behalf of the Board by the Audit Committee, provided that such approval is subsequently reported to the Board.

3. Review and discuss reports from the external auditor on:
    a. all critical accounting policies and practices used by Bell Aliant;
    b. all material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternate treatments and disclosures and the treatment preferred by the external auditor; and
    c. other material written communications between the external auditor and management, and discuss such report with the external auditor.

B. ***Oversight of the external auditor***

1. Be directly responsible for the oversight of the work of the external auditor and any other auditor preparing or issuing an audit report or performing other audit review or attest services for Bell Aliant or any consolidated subsidiary of Bell Aliant, where required and review, report and where appropriate, provide recommendations to the Board on the nomination, terms and review of engagement, removal, independence and proposed compensation of the external auditor;
2. Approve in advance all audit, review or attest engagement fees and terms for all audit, review or attest services to be provided by the external auditor to Bell Aliant and any consolidated subsidiary of Bell Aliant and any other auditor preparing or issuing an audit report or performing other audit review or attest services for Bell Aliant or any consolidated subsidiary of Bell Aliant, where required;
3. Pre-approve all engagements for permitted non-audit services provided by the external auditor to Bell Aliant and any consolidated subsidiary of Bell Aliant and to this effect may establish policies and procedures for the engagement of the external auditor to provide to Bell Aliant and any consolidated subsidiary of Bell Aliant permitted non-audit services;
4. Delegate, if deemed appropriate, authority to one or more members of the Audit Committee to grant pre-approvals of audit, review or attest services and permitted non-audit services, provided that any such approvals shall be presented to the Audit Committee at its next scheduled meeting;
5. Establish policies for the hiring of partners, employees and former partners and employees of the external auditor;
6. At least annually, consider, assess, and report to the Board on:
    a. the independence of the external auditor, including whether the external auditor's performance of permitted non-audit services is compatible with the external auditor's independence;
    b. obtaining from the external auditor a written statement (i) delineating all relationships between the external auditor and Bell Aliant; (ii) assuring that lead audit partner rotation is carried out, as required by law; and (iii) delineating any other relationships that may adversely affect the independence of the external auditor; and
    c. the evaluation of the lead audit partner, taking into account the opinions of management and internal audit.
7. At least annually, obtain and review a report by the external auditor describing:
    a. the external auditor's internal quality-control procedures; and
    b. any material issues raised by the most recent internal quality-control review, or peer review of the external auditor firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditor firm, and any steps taken to deal with any such issues.
8. Resolve any disagreement between management and the external auditor regarding financial reporting;
9. Review audit plan with the external auditor;

10. Meet periodically with the external auditor in the absence of management and internal audit; and
11. Approve the appointment (including the terms thereof and any changes thereto), or removal, of the auditors for Bell Aliant's Defined Benefit pension plans and Master Trust Fund.

C. ***Oversight of internal audit***

1. Review and discuss with the head of internal audit, report and, where appropriate, provide recommendations to the Board on the following:
    a. the appointment and mandate of internal audit, including the responsibilities, budget and staffing of Bell Aliant's internal audit;
    b. the scope and performance of the internal audit, including a review of the annual internal audit plan, and whether there are any restrictions or limitations on internal audit; and
    c. the periodic reports regarding internal audit findings, including Bell Aliant's internal controls, and Bell Aliant's progress in remedying any material control deficiencies.
2. Meet periodically with the head of internal audit in the absence of management and the external auditor.

D. ***Oversight of Bell Aliant's internal control system***

1. Review and discuss with management, the external auditor and internal audit, monitor, report and, when appropriate, provide recommendations to the Board on the following:
    a. Bell Aliant's internal control system;
    b. compliance with the policies and practices of Bell Aliant relating to business ethics;
    c. compliance by Directors, Officers and other management personnel with Bell Aliant's Disclosure Policy; and
    d. the relationship of the Audit Committee with other committees of the Board and with management.
2. Review and discuss with the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") of Bell Aliant the process for the certifications to be provided in Bell Aliant's public disclosure documents;
3. Review, monitor, report and where appropriate, provide recommendations to the Board on Bell Aliant's disclosure controls and procedures and internal controls over financial reporting;
4. Establish procedures, for the receipt, retention, and treatment of complaints received by Bell Aliant regarding accounting, internal accounting controls or auditing matters, including procedures for confidential, anonymous submission by employees regarding questionable accounting or auditing matters; and
5. Meet periodically with management in the absence of the external auditor and internal audit.

E. ***Oversight of Bell Aliant's risk management***

1. Review, monitor, report and, where appropriate, provide recommendations to the Board on the following:
    a. Bell Aliant's processes for identifying, assessing and managing risk; and
    b. Bell Aliant's major financial risk exposures and the steps Bell Aliant has taken to monitor and control such exposures.
2. Review, monitor, report and, where appropriate, provide recommendations to the Board on Bell Aliant's risk management and insurance program; and
3. Review, monitor, report and, where appropriate, provide recommendations to the Board on Bell Aliant's outsourcing relationship with Bell Canada.

F. ***Oversight of Bell Aliant's environmental risks***

1. Review, monitor, report, and where appropriate, provide recommendations to the Board on Bell Aliant's environmental policy and environmental management systems; and

2. When appropriate, ensure that Bell Aliant's subsidiaries establish an environmental policy and environmental management systems and review and report thereon to the Board of Bell Aliant.

G*.* ***Compliance with legal requirements***

1. Review and discuss with management, the external auditor and internal audit, monitor, report and, when appropriate, provide recommendation to the Board on the adequacy of Bell Aliant's process for complying with laws and regulations; and
2. Receive, on a periodic basis, reports from Bell Aliant's Chief Legal Officer, with respect to legal issues.

H. ***Miscellaneous***

1. Making recommendations to the Board regarding the appointing and removing of Bell Aliant's CFO.

III. Evaluation of the Audit Committee and Report to Board

A. The Audit Committee shall evaluate and review with the Governance Committee of the Board, on an annual basis, the performance of the Audit Committee;
B. The Audit Committee shall review and discuss with the Governance Committee of the Board, on an annual basis, the adequacy of the Audit Committee Charter; and
C. The Audit Committee shall report to the Board periodically on the Audit Committee's activities.

IV. Outside advisors

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

V. Membership

The Audit Committee shall consist of between three and five Directors, each of whom must be independent, consistent with the terms of the Securityholders' Agreement. The members of the Audit Committee shall meet the independence, experience and other membership requirements under applicable laws, rules and regulations as determined by the Board.

VI. Audit Committee Chair

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

A. Provide leadership to enable the Audit 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 Independent Director and the CEO, ensure that there is an effective relationship between management and the members of the Audit Committee;
C. Chair meetings of the Audit Committee;
D. In consultation with the CEO, the Corporate Secretariat, the Board chair, and the Lead Independent Director, determine the frequency, dates and locations of meetings of the Audit Committee;
E. In consultation with the CEO, the CFO, the Corporate Secretariat and, as required, other senior executives, review the Audit Committee meeting agendas to ensure all required business is brought before the Audit Committee to enable it to efficiently carry out its duties and responsibilities;
F. Ensure, in consultation with the Board Chair and Lead Independent Director, that all items requiring the Audit Committee's approval are appropriately tabled;
G. Ensure the proper flow of information to the Audit Committee and review, with the CEO, the CFO, the Corporate Secretariat and, as required, other senior executives, the adequacy and timing of materials in support of management's proposals;

H. Report to the Board on the matters reviewed by, and on any decisions or recommendations of, the Audit Committee at the next meeting of the Board following any meeting of the Audit Committee; and

I. Carry out any special assignments or any functions as requested by the Board.

VII. Term

The members of the Audit Committee shall be appointed or changed by resolution of the Board 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.

VIII. Procedures for meetings

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

IX. Quorum and voting

Unless otherwise determined from time to time by resolution of the Board, two members of the Audit Committee shall constitute a quorum for the transaction of business at a meeting. For any meeting(s) at which the Audit 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 members of the Audit Committee, except where only two members are present, in which case any question shall be decided unanimously.

X. Secretary

Unless otherwise determined by resolution of the Audit Committee, the Corporate Secretary of Bell Aliant or his/her delegate shall be the Secretary of the Audit Committee.

XI. Vacancies

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

XII. Records

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

SCHEDULE 3: ADDITIONAL DISCLOSURE REQUIRED UNDER FORM 51-102F2, ITEM 18

This additional disclosure is provided in accordance with Form 51-102F2, Item 18. Any disclosure required under Form 51-102F2, Item 18 which is not contained in this Schedule is otherwise provided in the main portion of this AIF. Reference to "common shares" or "shares" are references to Bell Aliant Inc. common shares and/or units of the Fund; references to "shareholders" include unitholders, and references to "deferred shares" include deferred units. Any capitalized terms not otherwise defined herein shall have the meaning given to them in the main body of this AIF.

REPORT ON EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

INTRODUCTION

In this Compensation Discussion and Analysis, we describe our compensation philosophy, policies and programs for our named executive officers and explain the role of the Management Resources and Compensation Committee, as related to our executives' compensation, programs and payouts. We also provide details of 2010 compensation for our named executive officers:

- Karen Sheriff, President and Chief Executive Officer
- Glen LeBlanc, Executive Vice-President and Chief Financial Officer
- Fred Crooks, Executive Vice-President, Corporate Services and Chief Legal Officer
- Dan McKeen, Senior Vice-President, Customer Solutions
- Charles Hartlen, Senior Vice-President, Customer Experience

This disclosure is required by the Canadian Securities Administrators National Instrument 51-102 – *Continuous Disclosure Obligations.* It also takes into consideration the guidelines of leading governance organizations as well as other relevant Canadian disclosure practices.

OUR COMPENSATION COMMITTEE

The Management Resources and Compensation Committee (**MRCC**) assists the directors to fulfill their responsibilities relating to the compensation, nomination, evaluation and succession of senior executives at Bell Aliant. The role of the MRCC with respect to compensation is to:

- Oversee and recommend Bell Aliant's executive compensation policy for approval by the directors, including all forms of compensation for the chief executive officer and each member of the executive team;
- Oversee Bell Aliant's general compensation policies and plans;
- Review and approve benefits to be granted under all employee benefit plans, including the levels and types of benefits; and
- Review and approve all proposed enhancements to, or detractions from, the benefits accruing to employees under Bell Aliant's pension plans.

The MRCC has a written mandate that establishes its purpose, responsibilities, and membership. In addition to its written mandate, the MRCC has established an annual work plan in the form of a forward agenda. A copy of the forward agenda can be found in Bell Aliant's governance manual, which is available in the Governance section of Bell Aliant's website at www.bellaliant.ca.

The following table outlines the annual work plan of the MRCC.

February	• Establish CEO goals and objectives for coming year
	• Discuss the CEO performance assessment for previous year
	• Discuss the executive team performance assessment for the previous year
	• Approve short-term incentive plan
	  • Payments for previous year (for organization overall)
	  • Executive payments
	• Preliminary review of executive compensation disclosure
	• Report on long-term incentive plan grant for previous year

March	• Approve executive compensation disclosure
May	• Review officer appointments • Review committee charter • Review share ownership guidelines • Discuss succession planning
July	• Receive Health & Safety Report • Discuss education/new developments in executive compensation • Discuss Say on Pay advisory resolution

November	• Discuss long-term incentive plan
	  • Preliminary review of long-term incentive plan design for the coming year
	  • Report on vesting/tracking of prior grants
	  • Review of reserve
	  • Complete long-term incentive plan grants for coming year
	• Discuss short-term incentive plan
	  • Preliminary review of short-term incentive plan design for the coming year
	  • Seek delegated authority from board to approve final plan/targets in December
	• Discuss executive compensation review and salary adjustments
	• Discuss salary adjustment guidelines

December	• Approve short-term incentive plan design for the coming year (measures and targets) • Approve long-term incentive plan design for the coming year (measures and targets)

The MRCC consists of five directors, none of whom are employed by Bell Aliant, and three of whom are independent as that term is defined in National Instrument 52-110 – *Audit Committees*. As of December 31, 2010, the members of the MRCC were: Robert Dexter (chair), Edward Reevey, Louis Tanguay, Siim Vanaselja, and David Wells. None of the members of the MRCC is an officer, employee or former officer of Bell Aliant or is eligible to participate in Bell Aliant's executive compensation programs. Members of the MRCC have experience as current and former chief executive officers of large organizations, officers in large and complex corporations, and/or directors of various other publicly traded entities. The directors believe the members of the MRCC collectively have the knowledge, experience and background required to fulfill the MRCC's mandate.

The MRCC may invite management to attend meetings to provide advice and consultation as required. Management is sometimes excluded from committee meetings as appropriate. In addition, the MRCC ensures an objective process for determining compensation by holding "in camera" sessions at the end of each committee meeting, without management present. A record is kept of any decisions made during such sessions. The MRCC met six times in 2010.

Independent Consultants

From time to time, the MRCC engages external consultants to provide advice on executive compensation matters. In 2010, Bell Aliant employed the services of the Towers Watson consulting firm and Mercer (Canada) Limited, and paid fees to them in the amounts shown in the table below. Amounts paid in 2009 are also included for reference.

	2009	2010
Towers Watson		
Executive compensation	$183,931	$147,205 [1]
Pension services	$89,162	$42,711
Other	$0	$134,621 [2]
Total fees paid to Towers Watson	$273,093	$324,537
Mercer (Canada) Limited [3]		
Executive compensation	$32,779	$0
Pension services	$31,396	$28,450
Total fees paid to Mercer	$64,175	$28,450
Total fees paid to consultants	$337,268	$352,987

Notes:

(1) Towers Watson provided consulting on director compensation in 2010 for fees totalling $6,570. These fees are included in the executive compensation total.

(2) The ‘other’ fees paid to Towers Watson relate to consulting on organization design ($3,911), along with two projects that began with Watson Wyatt prior to its merger with Towers Perrin - job evaluation and pay equity consulting ($102,029) and health and welfare group consulting ($28,681).

(3) In 2009, Mercer (Canada) Limited also provided general management compensation consulting services to Bell Aliant. The cost of these services is included in the above table. In 2010, Mercer (Canada) Limited provided only pension consulting services to Bell Aliant. The cost of these services is included in the above table.

None of our directors or named executive officers is affiliated with Towers Watson or Mercer (Canada) Limited and the MRCC considers both to be independent from Bell Aliant.

Benchmarking

The consulting services Towers Watson provided in 2010 included assistance in benchmarking the compensation of our executives to ensure compensation is competitive for the marketplace in which we compete. In 2009, Bell Aliant engaged Towers Watson to complete a full market review for our named executive officers. The review compared Bell Aliant compensation to two distinct comparator groups: (1) an industry-wide group, using data from the Towers Watson Compensation Data Bank, and (2) a select group of peer companies, using data as reported in their 2008 proxy circulars.

For 2010, the 2009 data was “aged” as recommended by Towers Watson. This confirmed that most of our executives remained within range of our targeted competitive compensation levels, which are discussed in the following sections.

The characteristics of the two comparator groups utilized by Towers Watson, as well as the companies included in each, are as follows:

Comparator group	Description	Revenue characteristics (2009)	List of companies
Industry wide	Over 60 companies in the telecommunications, utilities, financial, technology, manufacturing, production, research and mining sectors.	Median $5,621M 75th Percentile $12,231M (Bell Aliant: $3,174M)	AbitibiBowater - Agrium Inc. - ARC Resources Ltd. - ATCO Ltd. & Canadian Utilities Limited - Bank of Montreal - Banque Nationale du Canada - Barrick Gold Corporation - Bata Limited - BCE Inc. - Bombardier Inc. - CAE Inc.- Canadian National Rail - Canadian Natural Resources Ltd. - Canadian Oil Sands Limited - Canadian Pacific Railway Limited - Canadian Tire Corporation, Limited - Capital Health - Celestica Inc. - CGI Group Inc. – CIBC - Cogeco Inc. - CTV Globemedia Inc. - Domtar Corporation - Enbridge Inc. - EnCana Corporation - Finning International Inc. - Gaz Metropolitan - Gerdau Ameristeel - Husky Energy Inc. - Imperial Oil Limited - Inter Pipeline Fund - Irving Oil Limited - Kinross Gold Corporation - Manulife Financial Corporation - Maple Leaf Foods Inc. - McCain Foods Limited - MDS Inc. - Methanex Corporation - MTS Allstream Inc. - NAV CANADA - Nexen Inc. – Nortel - NOVA Chemicals - NovAtel Inc. - Pengrowth Corporation - Petro-Canada - Potash Corporation of Saskatchewan Inc. - Power Corporation of Canada - Quebecor World Inc. - RBC Financial - Research in Motion Ltd. - Scotiabank - ShawCor Ltd. - SNC-LAVALIN - Sun Life Financial - Suncor Energy Inc. - Talisman Energy Inc. - TD Bank Financial Group - Teck Cominco Limited - Tembec Inc. - The Economical Insurance Group - The Forzani Group Ltd. - The Woodbridge Group - TransAlta Corporation - Transat A.T. Inc. – TransCanada – Transcontinental Inc. – WestJet
Proxy circular	11 companies in the telecommunications, utilities, IT consulting, cable and satellite, publishing and home improvement retail sectors.	Median $3,244M 75th Percentile $3,730M (Bell Aliant: $3,174M)	Atco Ltd. – CGI Group Inc. – Cogeco Inc. – Fortis Inc. – Manitoba Telecom Services Inc. – Quebecor Inc. – RONA Inc. – Shaw Communications Inc. – Torstar Corp. – TransAlta Corp. – Yellow Pages Income Fund

OUR COMPENSATION PHILOSOPHY AND DIRECTION

The compensation of Bell Aliant executives is influenced by a number of factors including business strategy, organizational performance, personal performance and governance. Our executive compensation philosophy aims to achieve four key objectives:

- Align total compensation with the interests of shareholders;
- Attract and retain high performing executives;
- Create a performance culture that rewards superior performance; and
- Link compensation with business strategy/objectives.

The MRCC carefully considers feedback from shareholders regarding our executive compensation programs. The MRCC and board believe that the governance framework applicable to our executive compensation must be both competitive with companies in our marketplace and consistent with corporate governance best practices. Shareholders should have the opportunity to fully understand the objectives, philosophy, principles, policies and procedures used to make executive compensation decisions. For the first time, at the 2010 Annual and Special Meeting, we put forward for shareholder consideration a “Say on Pay” non-binding advisory resolution accepting our approach to executive compensation. 98% of voting shareholders approved the resolution. Shareholders will have the opportunity to consider a similar resolution at Bell Aliant Inc.’s 2011 Annual General Meeting. The MRCC encourages shareholder engagement and is committed to reviewing and considering shareholder feedback on executive compensation matters.

ELEMENTS OF OUR 2010 COMPENSATION MODEL

Our compensation model is composed of base salary, short-term and long-term incentive compensation, perquisites, benefits and pension.

Base salary is targeted at the 50th percentile to ensure base salaries remain competitive, and total direct compensation is targeted at the 60th percentile, which is only achieved if performance warrants. Total direct compensation consists of base salary, short-term incentive compensation and long-term incentive compensation. This model gives Bell Aliant an edge in the talent market by attracting and keeping the kind of people who will drive performance. It keeps Bell Aliant competitive to market (base salary at median) while offering higher than median compensation to leaders who are prepared to put a substantial portion of their compensation at risk based on performance.

We describe each element of our compensation model below.

	Base salary	Short-term incentive	Long-term incentive	Benefits & perquisites	Pension
Overview	Based on responsibilities and market data.	Conditional on organizational and personal performance; rewards achievement of annual business targets that support Bell Aliant's strategic direction.	Conditional on organizational performance; aligns interests of executives with those of shareholders through the use of equity compensation.	Target market competitive health and other benefits and perquisites.	Target market competitive pensions

Base Salary

Base salary is linked to the responsibilities, experience and knowledge of each executive. Compensation levels are reviewed if changes in responsibilities occur and such reviews may involve outside consultants to provide independent advice to the MRCC.

Short-term Incentive Compensation

The short-term incentive plan (**STIP**) is designed to reward the achievement of specific annual business targets that support Bell Aliant's strategic initiatives. Named executive officers participate in the same STIP as other eligible employees. Targets for our named executive officers are a percentage of base salary ranging from 62.5% to 100%.

There are two factors that determine the level of payout for our named executive officers: corporate results and personal performance. The corporate results are based on the achievement of specific performance measures, each of which has a threshold, target and outperform level which equates, respectively, to 50%, 100% and 150% of target payout. If thresholds are not met, payout is 0%. The personal performance multiplier ranges from 0% to 150% and is designed to recognize individual performance.

The STIP payout calculation is shown in the table below:

		Target		**Corporate Results**		**Personal performance multiplier**		
Base salary	**X**	% of base salary ranging from 62.5% – 100%	**X**	For each performance measure: ▪ Threshold of 50% ▪ Target of 100% ▪ Outperform of 150%	**X**	0 – 150%	**=**	**Annual STIP payout**

STIP measures may be revised during the year to take account of factors affecting performance which are beyond the executives' control. Events that have triggered adjustments in the past include regulatory decisions, accounting classification changes, and acquisitions or divestitures.

Long-term Incentive Compensation

The long-term incentive compensation plan (**LTIP**) is designed to align executive performance with long-term growth in shareholder value and to support the objectives of employee ownership, and a strong spirit of performance and entrepreneurship. Long-term incentives are delivered through the Deferred Share Plan (**DSP**).

Deferred Share Plan

Under the DSP the directors designate individuals to receive deferred shares in the form of an annual grant. Each deferred share represents the right to receive one common share, provided certain performance and/or time criteria are met. The directors determine the date of the grant, the number of deferred shares to be granted, vesting conditions, the payout date and the performance criteria. All named executive officers are eligible to participate in the DSP.

Long-term incentive compensation for each named executive officer is a percentage of base salary ranging from 100% to 200%. The number of deferred shares Bell Aliant grants is calculated by dividing the targeted long-term incentive compensation by a five day weighted average closing price of the shares on the Toronto Stock Exchange (**TSX**) prior to the grant. The deferred shares attract notional dividends, which are credited in the form of additional deferred shares held in the participant's account. Grants under the DSP typically have a performance period of three years and up to one-third of the total grant can vest each year. The performance measures have threshold and target levels which equate, respectively, to 50% and 100% of target payout. The program does not include an individual performance modifier.

The final balance and value of the shares will be determined based upon vesting criteria at the end of the performance period, the accumulation of dividends and the fair market value at time of redemption. Participants have the option of withdrawing deferred shares granted from 2009 onward once the three year performance period has expired and shares have vested, as long as participants continue to meet their minimum share ownership targets. Deferred shares granted prior to 2009 cannot be withdrawn while a participant is still an employee. When withdrawing deferred shares from the plan, participants can elect to receive either common shares or a cash payout.

When a participant ceases to be an employee of Bell Aliant due to resignation or termination with cause, any unvested deferred shares terminate and are forfeited, unless otherwise determined by the directors. In the event of retirement, termination without cause, death or termination by reason of disability, unvested deferred shares vest on a prorated basis from the beginning of the performance period to the end of employment date, subject to actual performance results as determined at the end of the performance period. The interest of any participant is not transferable or assignable other than by operation of law. The payout date must be a date no later than two years following a participant's departure from Bell Aliant. Deferred shares granted under the DSP terminate and are of no force and effect after two years following a participant's departure, if not redeemed or previously terminated.

Any amendment to the DSP that increases the maximum number of common shares issuable, extends the last date on which shares may be issued, or adds additional categories of participants, requires the prior approval of shareholders. The directors may make any other amendments to the plan, without the approval of shareholders including amendments of a housekeeping nature or amendments related to participants' entitlements in the event of termination of employment.

Benefits and Perquisites

We believe offering competitive benefits is essential to attract and retain qualified employees. Bell Aliant offers a benefits program to our named executive officers that allows each leader to choose health, life and accident insurance most suited to their individual needs.

Named executive officers in the Atlantic Provinces are eligible to participate in our Employees' Stock Savings Plan (**ESSP**) and named executive officers in Ontario and Quebec are eligible to participate in the Employees' Savings Plan (**ESP**). The ESSP and ESP are offered to encourage long-term savings, to augment pension income and to allow employees to share in the success of the Company. Eligible participants in the ESSP and

ESP are regular employees, full-time or part-time, who have completed at least six months of continuous service with Bell Aliant.

Participants contribute to the ESSP through payroll deductions of up to 10% of annual base pay, commissions, and bonuses, and can also reinvest dividends earned on shares held in the ESSP. Bell Aliant will contribute to the ESSP on behalf of participants based upon the employee contributions, using a prescribed formula, and will make a contribution equal to 25% of all dividends earned on those shares that participants reinvest in the ESSP. The purchase price of the common shares is the arithmetic average of the closing price of common shares traded on the TSX on the last five trading days up to, and including, the Investment Date (as that term is defined in the ESSP).

When a participant ceases to be an employee of Bell Aliant due to resignation or termination of employment for any reason, participation in the ESSP is terminated, and the participant will be sent a certificate for the number of whole common shares in the ESSP and a cheque for the balance. If a participant retires or dies, the participant or a representative may elect to terminate participation effective on the next Investment Date, thereby receiving the company contribution and interest on such Investment Date. Common shares held under the ESSP may only be transferred to a single-purpose, self-directed registered retirement savings plan for the participant or his/her spouse and otherwise by operation of law.

The provisions of the ESP are similar to the ESSP, with the exception that dividends are not matched under the ESP and participants in the ESP can contribute up to 12% of annual base pay, commissions and bonuses.

The named executive officers also receive a competitive cash allowance for perquisites.

Pensions

Named executive officers participate in either a defined contribution (**DC**) or defined benefit (**DB**) pension plan, depending on their date and place of hire. Executives hired after January 2005 in the Atlantic Region or October 2004 in the Central Region may participate only in a DC pension plan. Executives hired prior to those dates may participate in either a DC or DB plan depending on the province in which they are located, the date they were hired, and the type of plan available to executives at that time.

CHANGES WE MADE IN 2010, ARISING PRIMARILY FROM CONVERSION

While our compensation structure in 2010 remained largely similar to the 2009 structure, our conversion from an income trust to a corporation required the adaptation of a number of our compensation plans. In addition, the MRCC revised the executive share ownership guidelines to align with industry best practices and introduced a new savings plan for executives. These changes became effective as of January 1, 2011 and are described in more detail below.

Conversion from Deferred Unit Plan

The DSP is a continuation of the former Deferred Unit Plan (**DUP**), which was replaced by the DSP as a result of the Conversion from an income trust to a corporate structure. As anticipated and disclosed in last year's information circular, all deferred units issued under the DUP were converted to deferred shares as of January 1, 2011. The terms of the DSP are substantially similar to the terms of the DUP.

Prior to the conversion, on February 3, 2010, the trustees amended the DUP to permit participants to receive cash instead of units from treasury when withdrawing vested deferred units from their DUP accounts. The DUP was later amended (i) to not require a deduction of deferred shares from the reserve when deferred shares are settled in cash pursuant to the terms of the DUP and (ii) by amending the definition of "Termination Date". The latter amendments, which required shareholder approval, were approved at the Fund's Annual and Special Meeting on June 16, 2010. Effective January 1, 2011, those changes became part of the DSP.

Conversion from Employees' Unit Purchase Plan and Employees' Savings Plan

The ESSP is a continuation of the former Employee Unit Purchase Plan (**EUPP**). The ESSP replaced the EUPP as a result of the Conversion and all units held under the EUPP were converted to common shares at that time.

The terms of the ESSP are substantially similar to the terms of the EUPP. The ESP was also amended as a result of the Conversion and all units held under the ESP were converted to common shares at that time. The provisions of the ESP remain similar to the ESSP, with the exceptions noted above.

Deferred Share Unit Plan

As was approved in last year's Annual and Special Meeting, Bell Aliant adopted a new plan for executive employees – the Deferred Share Unit Plan (**DSUP**). The purpose of the DSUP is twofold: to allow executives to voluntarily elect to receive STIP awards in the form of notional 'share units'; and, to provide a mandatory mechanism for executives to increase their ownership if they have not met minimum share ownership guidelines within the prescribed timeline (as discussed in the *Share Ownership Guideline*s section of this Compensation Discussion and Analysis). Share units held under the DSUP count towards minimum ownership guideline requirements and are only accessible upon departure from the Company. The DSUP is a cash-settled plan.

Revised Share Ownership Guidelines

The MRCC engaged Towers Watson in early 2010 to conduct an independent review of the existing share ownership guidelines to ensure they reflected industry best practices. Based on that review, the MRCC determined the guidelines should be revised to better align with industry standards, resulting in changes to both the methodology for counting shares and the minimum share ownership targets. Previously, we counted all vested and unvested deferred shares granted under the DUP towards share ownership targets (please see the *Share Ownership Guidelines* section of this Compensation Discussion and Analysis for ownership information as of December 31, 2010). Effective January 1, 2011, we no longer counted, towards share ownership targets, unvested deferred shares that are subject to performance criteria; only vested deferred shares and deferred shares that vest solely based on time are counted. At the same time the minimum share ownership targets for each named executive officer, which were high relative to industry standard, decreased by one times his or her respective base salary.

2010 COMPENSATION OVERVIEW AND TARGETS

Bell Aliant's compensation model is designed to link the compensation we pay our executives to corporate success. In 2010, Bell Aliant continued its focus on the five strategic initiatives, first set in 2009, to reach our vision of being recognized by customers as the leading communications provider in the markets we serve: improve the customer experience, retain customers, grow broadband, reset our cost structure and engage employees.

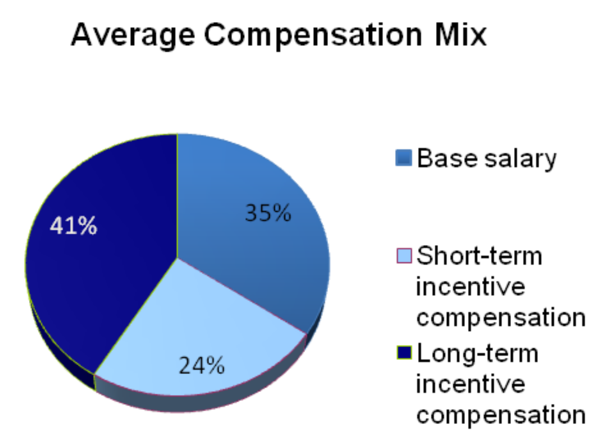
Despite the realities of the economic environment and our competitive marketplace, our strategy has proven resilient, facilitating a critical balance among improving services, offering enhanced solutions to our customers, and increasing productivity. 2010 was a solid year filled with strong accomplishment for the Company. Bell Aliant delivered on distributable cash targets, despite lower than expected revenues, through our continued focus on cost management and improved productivity. The Company showed improvements in NAS declines and continued our emphasis on strong customer service despite a number of challenging weather events that negatively affected our service levels. In addition, we continued to expand our FibreOP™ fibre-to-the-home (FTTH) service and bundle options, working toward our goal of providing all communications services to our customers' homes and businesses.

Corporate performance is closely connected to the pay of named executive officers through the significant portion of their compensation at risk – over 60% for each named executive officer and, in the case of Ms. Sheriff, 75% of her compensation. To receive this compensation at risk, both the Company and the named executive officers must deliver strong results, in keeping with our pay for performance philosophy. This ensures our compensation model is based on a strategy that aligns personal financial interest with shareholder interests.

The table below outlines the target mix of base salary and compensation at risk for each named executive officer:

Executive	Base salary	Short-term incentive compensation target	Long-term incentive compensation target
Karen Sheriff President and Chief Executive Officer	25%	25%	50%
Glen LeBlanc Executive Vice-President and Chief Financial Officer	34%	24%	42%
Fred Crooks Executive Vice-President, Corporate Services and Chief Legal Officer	38%	24%	38%
Dan McKeen Senior Vice-President, Customer Solutions	38%	24%	38%
Charles Hartlen Senior Vice-President, Customer Experience	38%	24%	38%

Below is a chart representing the average compensation mix for all named executive officers:



The overall compensation targets for our named executive officers remained largely similar to 2009 levels. We maintained base salaries at 2009 levels for the named executive officers, except for Mr. Crooks, whose base salary was increased by $45,000 to bring his compensation in line with the market. We also maintained our short and long-term incentive target levels with the exception of Ms. Sheriff, whose STIP target was increased by 15% and LTIP target by 25%, following an extensive market study. The full summary compensation table is provided in the *Summary Compensation Table* section.

2010 STIP Program and Results

In keeping with the continuity of our five strategic initiatives, our 2010 STIP program was the same as our 2009 program, with measures designed to focus executives on improving the customer experience and delivering strong financial performance. The program consisted of three measures – distributable cash, gross revenue and customer service index (**CSI**), weighted at 50%, 20%, and 30% respectively. Descriptions of these measures and of 2010 performance are outlined below:

Distributable Cash – a measure of financial performance and shareholder value. It is EBITDA minus certain annual cash expenditures such as pension current service cost and other post employment benefit funding, interest expense and capital investments. A full explanation of EBITDA can be found in Bell Aliant Holdings LP's 2010 annual Management's Discussion and Analysis, which is available in the Financial Reports section of Bell Aliant's website at www.bellaliant.ca and www.sedar.com.

- Performance: Despite declining revenues in 2010 (as discussed under the 'Gross Revenue' measure below), we generated $711 million of distributable cash and maintained declared cash distributions at a similar level to 2009. Our continued focus on cost management and improved productivity were key to attaining these results and mitigated the effect of the decline in revenues on EBITDA. These savings were achieved primarily from managing labour costs, renegotiating vendor contracts and controlling discretionary spending. While capital expenditures were lower than expected, this was offset by higher cash funding of the current service costs of benefits plans and lower distributable cash from discontinued operations. The distributable cash results were within its STIP target range.

Gross Revenue – a measure of financial viability and 'top line' growth. It includes all recurring and one time revenues, before any costs are deducted.

- Performance: Throughout 2010, cable competitors continued to expand their local service areas and provide bundled service offerings in our regions, putting pressure on our revenues. We continued to see revenue declines in local and access and long distance, mainly due to competitive losses and a decline in primary lines as customers adopt wireless and voice over Internet protocol (VoIP) technologies. Declines in voice revenue were partially offset by increases in Internet and wireless revenues resulting from growth in our high-speed Internet and wireless customer bases. In 2010 the Company generated $3,071 million in gross revenue, prior to restating xwave business results to discontinued operations. Softness in discontinued operations caused the results to fall below the STIP target.

Customer Service Index – Delivering a superior customer experience is key to our strategy and requires a consistent and determined focus on making it easier for customers to do business with us. We are intent on improving the overall customer experience through continued work on service fundamentals, including making advancements to the core network and designing the model technician visit. CSI consists of five key measures including operational and customer satisfaction (we do not disclose the specific measures, indices, or targets, as we believe these could prejudice our competitive position in the marketplace).

- Performance: Our strategy is proving successful as we have seen positive year-over-year results in our internal measure of customer service indexing; however, a number of extraordinary events impacted 2010's final results, including several severe weather events that negatively impacted target service levels. As a result, CSI fell short of its STIP target in 2010.

The 2010 STIP program also has a minimum threshold for EBITDA performance; if this threshold is not met, STIP payments in excess of 100% are not permitted. Since the overall STIP result was below 100%, EBITDA performance did not affect the payouts.

The following table summarizes the final STIP results.

Measure	Target	Actual	Weighting	2010 STIP results
Distributable cash	$708M - $718M	$711M	50%	50%
Gross revenue	$3,086M - $3,118M	$3,071M	20%	15%
Customer service index	--	--	30%	20%
Total			100%	85%

The MRCC reviewed the final 2010 results for each measure and, based upon their assessment, recommended a STIP corporate result of 85%, which was approved by the board. In assessing performance, the board and the MRCC considered the impact of factors affecting performance which were beyond our employees' control. One such factor was Bell Aliant's repurchase of its former interest in utility poles in Newfoundland and Labrador in late 2010. This transaction affected the distributable cash targets established for the 2010 STIP program. In keeping with the board's policy, it revised the distributable cash targets to reflect the transaction costs.

In the previous three years, the STIP corporate result for named executive officers was 100% (2007), 86% (2008) and 105% (2009).

2010 STIP Payout to Named Executive Officers

On the MRCC's recommendation, the board approved a 2010 STIP corporate result of 85%, together with personal performance multipliers and payouts on February 8, 2011.

Individual performance for named executive officers is based on annual personal objectives, which are aligned with the Company's financial and strategic objectives. The individual performance multiplier ranges from 0% to 150% and is determined based on individual performance during the year. The MRCC and board approved personal performance modifiers for named executive officers ranging from 105% to 125%, in recognition of each executive's strong performance and contribution toward the achievement of Bell Aliant's strategic priorities in 2010.

The table below outlines the STIP result, personal performance modifier and payout for each named executive officer:

Executive	Salary	Short-term incentive target (% of base)	Short-term incentive corporate result	Personal performance multiplier	Short-term incentive payout
Karen Sheriff	$700,000	100%	85%	125%	$743,750
Glen LeBlanc	$420,000	72.5%	85%	110%	$284,708
Fred Crooks	$370,000	62.5%	85%	110%	$216,219
Dan McKeen	$325,000	62.5%	85%	105%	$165,252 [1]
Charles Hartlen	$300,000	62.5%	85%	105%	$167,344

Note:
(1) Mr. McKeen's payout was prorated to reflect that he commenced employment on January 28, 2010.

2010 DUP Grant

The 2010 DUP grant has both time and performance vesting features, with 50% of the grant vesting based solely on time and the other 50% based on performance measures. Time-based vesting was a new feature in 2010 and was added to ensure Bell Aliant executives are not exposed to undue risk in the DUP, particularly relative to the market in which we compete for talent, where many companies have seized opportunities to mitigate the risk inherent in long-term incentive compensation. The addition of 50% time vesting brings our plan more in line with the marketplace while still ensuring that a large portion of compensation is at risk, in keeping with our pay for performance philosophy. This also results in a more balanced plan, since the 2010 DUP cannot pay in excess of 100% even in the event of significant over-achievement yet can be fully forfeited in the event of under-achievement.

The performance measure for year one of the 2010 grant was distributable cash, which has threshold and target levels which equate, respectively, to 50% and 100% of target vesting. With the conversion from an income trust to a corporate structure, distributable cash has been replaced with EBITDA (weighted 35%) and free cash flow (weighted 15%) as the performance measure for years two and three of the 2010 grant.

Deferred shares granted in 2010 vest in equal amounts of one-third in each of 2010, 2011 and 2012, subject to performance criteria. After the completion of the last vesting year (2012) the deferred shares can continue to be held in a notional account until such time as the participant submits a request to have vested shares transferred out of the plan. Participants may not withdraw shares where to do so would take them below the level required to meet share ownership guidelines.

The table below outlines the 2010 DUP grant for each named executive officer:

Executive	Salary	Long-term incentive target (% of base)	Long-term incentive grant (shares) [1]	Long-term incentive grant ($ value) [2,3]
Karen Sheriff	$700,000	200%	56,235	$1,453,112
Glen LeBlanc	$420,000	125%	21,088	$544,914
Fred Crooks	$370,000	100%	14,862	$384,034
Dan McKeen	$325,000	100%	13,055	$337,341
Charles Hartlen	$300,000	100%	12,050	$311,372

Notes:
(1) These amounts include a 'top up' amount, equal to the estimated distributions lost between the scheduled grant date in February 2010 and the actual grant date in June 2010 (since this delay resulted from legal advice to the board and Fund trustees recommending that the grant be delayed until after the corporate dividend policy was disclosed and able to be digested by the markets).
(2) The value of the long-term incentive plan grant is calculated based on a market value of $25.84. "Market Value" means the arithmetic average of the closing price of the units traded on the TSX for the five trading days on which a board lot was traded immediately preceding grant date.
(3) The ultimate value of the grant is dependent on the fair market value of the vested Bell Aliant common shares at the time of redemption.

Results of Year One Performance for the 2010 DUP Grant

In 2010, the distributable cash target was met, resulting in 100% vesting for year one of the 2010 DUP grant. The following summarizes the results to date:

(in millions)

Performance criteria	Weighting	Threshold	Target	Actual	Vesting to date
Time	50%	NA	NA	NA	Year 1 – 100%
Distributable cash	50%	$698.7M	$708M - $713M	$711M	

Note:
(1) As discussed in the *2010 STIP Program and Results* section, Bell Aliant repurchased its former interest in utility poles in Newfoundland and Labrador at a cost of approximately $57 million, which significantly affected the distributable cash budget. In keeping with the board's policy of accounting for factors affecting STIP targets that are beyond the control of employees, the board revised the distributable cash targets to reflect the transaction costs.

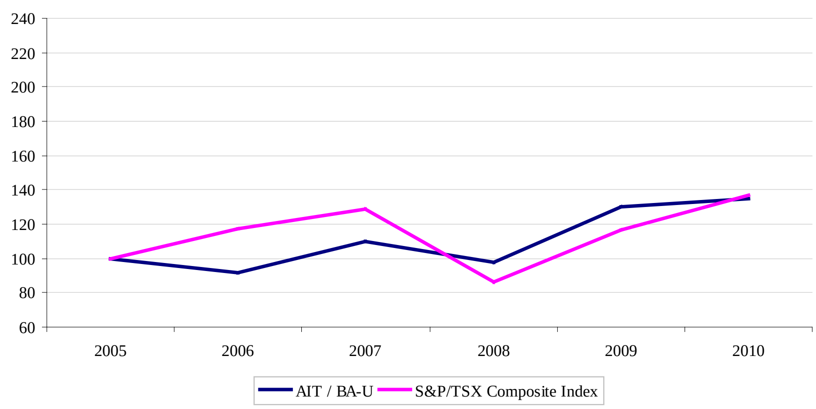
Corporate Performance

The cumulative total return chart and share performance graph below were prepared based on an initial investment of $100 in Aliant common shares as of December 31, 2005. The chart reflects the total return of Aliant common shares on the TSX for the period from January 2006 to July 2006 and the total return of Bell Aliant units on the TSX from July 2006 to December 2010. For comparison purposes, also shown is the corresponding information for the S&P/TSX Composite Total Return index.

(at December 31, 2010)

Cumulative total return [1]	2005	2006	2007	2008	2009	2010	Return [2]
Aliant/Fund	100	92	110	98	130	135	6.2%
S&P/TSX composite index	100	117	129	86	117	137	6.5%

Notes:
(1) 5-year compounded annualized total return.
(2) The final column "Return" reflects results for Aliant and the Fund combined.



For the period leading to the creation of the Fund and the income trust conversion, compensation for named executive officers was based on the compensation model of their respective predecessor organizations: Aliant and Bell Canada. Aliant's executive compensation model included a stock option program and a performance share unit plan.

Since the formation of the Fund, named executive officers have received long-term incentive awards in the form of deferred shares. The grant for 2006 was based on time vesting only. The objective of this grant was to facilitate executive ownership in the new entity and to recognize that a significant period had elapsed without any type of long-term incentive being available to the executive team. The subsequent grants for 2007, 2008, 2009 and 2010 incorporated performance criteria that, together with the underlying ownership feature, provided a balance between annual financial performance and investor returns. The performance criterion for each grant year is shown in the chart below. As discussed in the *Long-term Incentive Compensation* section, the 2010 grant incorporated a 50% time based vesting element.

The following chart summarizes the vesting for grants in previous years:

Grant Year	Performance Criteria	Weighting	Vesting
2007	Total Unitholder Return Distributed Cash (amended to Distributable Cash for year 3)	30% 70%	Year 1 = 87.57% Year 2 = 0% Year 3 = 70% **Final = 52.52%**
2008	Total Unitholder Return [1] Distributable Cash	30% 70%	Year 1 = 86.91%* Year 2 = 86.91% Year 3 = 70% **Final = 81.27%**
2009	Distributable Cash	100%	Year 1 = 100% Year 2 = 100% Year 3 = TBD **Final = TBD**
2010	Distributable Cash Time	50% 50%	Year 1 = 100% Year 2 = TBD Year 3 = TBD **Final = TBD**

Note:
(1) Total Unitholder Return is a cumulative measure, meaning that performance results in subsequent years of the same grant can affect previous years' results.

Linking Share Performance to Executive Compensation

As discussed in the *2010 Compensation Overview and Targets* section, we link corporate performance to executive compensation primarily through our LTIP and STIP – these plans place a significant portion of the compensation we pay our named executive officers at risk. The comparison between the share performance graph and both the LTIP vesting results and STIP corporate results demonstrates the relation between share performance and compensation.

The decline in market value from 2007 to 2008 shown in the performance graph affected the variable compensation of our named executive officers. In particular, year two of the 2007 grant vested at 0% and year one of the 2008 grant vested at 70%. The STIP corporate result for named executive officers for this period was 86%.

From 2008 to 2009 the market value increased. This was reflected in the vesting result of 86.91% for year two of the 2008 grant. Since the Total Unitholder Return measure in the 2008 grant is a cumulative measure, year one vesting was revised to reflect the higher vesting achieved in year two, or 86.91%. The strong financial performance was also reflected in the STIP corporate result of 105%.

The market value continued to increase from 2009 to 2010. Year three of the 2008 grant vested at 70%, while year two of the 2009 grant and year one of the 2010 grant both vested at 100%. The STIP corporate result was 85% during this period.

SUMMARY COMPENSATION TABLE

Compensation of Officers

The table below outlines total compensation paid by Bell Aliant or its subsidiaries to the named executive officers for 2008, 2009 and 2010, in the form prescribed by the Canadian securities regulatory authorities. Pension value and severance payout amounts are not included in determining total compensation for purposes of identifying named executive officers.

				Non-equity incentive plan compensation			
	Year	Earnings ($)	Share-based awards [1] ($)	Annual short-term incentive compensation ($)	Pension value ($)	All other compensation [2,3,4] ($)	Total compensation ($)
Karen Sheriff	2010	700,000	1,453,112	743,750	391,824	56,387	3,345,073
President and Chief	2009	700,000	1,224,996	700,000	116,980	71,640	2,813,616
Executive Officer	2008 [5]	298,630	475,751	210,241	452,581	57,851	1,495,054
Glen LeBlanc							
Executive Vice-President	2010	420,000	544,914	284,708	57,593	69,904	1,377,119
and Chief Financial	2009	411,539	499,997	367,684	129,493	59,187	1,467,900
Officer	2008	400,000	500,007	240,800	71,949	47,241	1,259,997
Fred Crooks							
Executive Vice-President,	2010	365,673	384,034	216,219	91,642	62,015	1,119,583
Corporate Services and	2009	314,423	300,003	245,273	70,383	55,701	985,783
Chief Legal Officer	2008	300,000	300,004	154,800	72,000	54,265	881,069
Dan McKeen							
Senior Vice-President, Customer Solutions	2010 [6]	296,250	337,341	165,252	44,437	40,932	884,212
Charles Hartlen	2010	300,000	311,372	167,344	32,033	55,080	865,829
Senior Vice-President,	2009	278,846	250,012	226,406	365,703	52,834	1,173,801
Customer Experience	2008	250,000	249,988	129,000	34,921	51,465	715,374

Notes:

(1) The values shown are calculated based on the grant date market value assuming target performance is achieved. The value of the long-term incentive plan grant in each year is calculated based on a market value of $30.13 in 2008, $26.27 in 2009 and $25.84 in 2010. "Market Value" means the arithmetic average of the closing price of Bell Aliant common shares traded on the TSX for the five trading days on which a board lot was traded immediately preceding grant date. This methodology is used to smooth out any short term price fluctuations in share price immediately preceding the grant.

(2) All other compensation in 2010 includes: (a) the perquisite account for each named executive officer in the following amounts: $50,000 for Ms. Sheriff, $45,000 for Mr. LeBlanc, $40,000 for Mr. Crooks, $36,667 (pro-rated) for Mr. McKeen and $40,000 for Mr. Hartlen; and (b) employer contributions and interest paid to the named executive officers under the EUPP, and other taxable benefit amounts.

(3) The 2009 figures have been updated and include: (a) the perquisite account for each named executive officer in the following amounts: $55,458 for Ms. Sheriff, $45,000 for Mr. LeBlanc, $40,000 for Mr. Crooks and $40,000 for Mr. Hartlen; and (b) employer contributions and interest paid to the named executive officers under the EUPP, and other taxable benefit amounts.

(4) The 2008 figures have been updated and include: (a) the perquisite account for each named executive officer in the following amounts: $6,386 (pro-rated) for Ms. Sheriff, $45,000 for Mr. LeBlanc, $40,000 for Mr. Crooks and $40,000 for Mr. Hartlen; (b) a transition allowance of $36,364 paid to Ms. Sheriff, and (c) employer contributions and interest paid to the named executive officers under the EUPP, and other taxable benefit amounts.

(5) Ms. Sheriff's total compensation for 2008 reflects her actual earnings as Bell Aliant's Chief Operating Officer from July 11, 2008, to November 2, 2008, and as President and Chief Executive Officer from November 3, 2008, to December 31, 2008. Prior to July 11, 2008, she was an employee of Bell Canada.

(6) Mr. McKeen was hired in January 2010 and therefore has no data in previous years.

Incentive Plan Awards (LTIP and STIP)

The tables below outline the value of vested and unvested equity grants under the DSP and the value of non-equity compensation earned by the named executive officers in 2010.

Outstanding Share-based Awards (Total Unvested Shares)

Name	Number of shares that have not vested	Value of unvested shares if performance targets are not achieved [1,2]	Value of unvested shares if performance targets achieved [1]
Karen Sheriff	58,665	$514,827	$1,524,703
Glen LeBlanc	22,631	$193,059	$588,180
Fred Crooks	15,135	$136,060	$393,359
Dan McKeen	9,197	$119,517	$239,030
Charles Hartlen	12,377	$110,317	$321,678

Notes:

(1) Value of shares is calculated based on a share price of $25.99, the closing price of Bell Aliant units on the TSX on December 31, 2010.

(2) The value of unvested shares if performance targets are not achieved reflects the value of unvested deferred shares that vest solely based on time. These deferred shares will vest at the end of the performance period, provided the named executive officer remains an employee of Bell Aliant.

Value of Shares Vested or Earned During the Year

Name	Number of shares that vested in 2010	Value during the year on vesting of deferred shares [1,2]	Non-equity incentive plan compensation (STIP) – value earned during the year [2]
Karen Sheriff	47,866	$1,244,037	$743,750
Glen LeBlanc	25,922	$673,713	$284,708
Fred Crooks	16,300	$423,637	$216,219
Dan McKeen	4,599	$119,528	$165,252
Charles Hartlen	13,345	$346,837	$167,344

Notes:

(1) Value of all vested or earned shares during the year is based on deferred shares for each of the 2008, 2009 and 2010 grants that vested in 2010. Actual value of shares is determined upon redemption, a date up to two years following the last day of active employment.

(2) Value of shares is calculated based on a share price of $25.99, the closing price of Bell Aliant units on the TSX on December 31, 2010.

Shares issued for the Year Ended December 31, 2010

Participants in the DSP have up to two years after the last date of employment to request their vested deferred shares from the DSP. In 2010, there were no shares issued to any of the named executive officers.

SHARE OWNERSHIP GUIDELINES

Bell Aliant established share ownership guidelines for its executives in 2006, which are intended to align executive and shareholder interests. The guidelines ensure that Bell Aliant's executives have significant financial interest tied to the performance of the Company. Common shares held in the DSP, DSUP, ESSP, ESP, or within a registered retirement savings plan (RRSP) count towards ownership requirements. Executives are required to meet the guidelines within a period of five years from the date of appointment to the executive position. The share ownership targets and status for each of our named executive officers as of December 31, 2010 is provided in the table below. As noted in the *Changes We Made in 2010, Arising Primarily From Conversion* section, the share ownership guidelines were revised effective January 1, 2011, resulting in changes to the ownership targets and counting methodology that will be reflected in next year's Compensation Discussion and Analysis.

Name	Share ownership as of December 31, 2010 [1]	Share ownership target as of December 31, 2010	Target achieved	Target date to achieve target ownership [2]
Karen Sheriff	$3,547,479	$2,800,000 4 x base salary	Yes	NA
Glen LeBlanc	$2,594,478	$1,260,000 3 x base salary	Yes	NA
Fred Crooks	$1,934,592	$1,110,000 3 x base salary	Yes	NA
Dan McKeen	$412,565	$975,000 3 x base salary	No	December 31, 2015
Charles Hartlen	$1,277,434	$900,000 3 x base salary	Yes	NA

Notes:

(1) Total value of share ownership is calculated based on a share price of $25.99, the closing price of Bell Aliant units on the TSX on December 31, 2010.

(2) Incremental amounts, due to changes in salary or position, must be attained within five years of the increase or appointment, which in some cases is as late as December 2015.

EQUITY RESERVES

DSP Reserve

The maximum number of deferred shares Bell Aliant Inc. can issue to insiders (as defined by the TSX rules relating to security based compensation arrangements) under the DSP, together with any Bell Aliant Inc. securities issuable under any other security based compensation arrangement, at any time, shall not exceed 10% of the total number of outstanding Bell Aliant Inc. common shares on a fully diluted basis. The maximum number of deferred shares issued to insiders, together with any Bell Aliant Inc. common shares issued under any other security based compensation arrangement, within any one year period, shall not exceed 10% of the total number of outstanding Bell Aliant Inc. shares on a fully diluted basis.

ESSP Reserve

The maximum number of common shares Bell Aliant Inc. can issue from treasury to insiders within any one year period and issuable at any time under the ESSP and all other security based compensation arrangements is 10% of the total number of outstanding Bell Aliant Inc. common shares on a fully diluted basis.

Any amendment that increases the maximum number of common shares issuable under the ESSP requires the approval of Bell Aliant Inc. shareholders. The directors may amend any other terms of the ESSP without the approval of Bell Aliant Inc. shareholders, subject to the receipt of any required regulatory approval, but no amendment may be made that would alter or impair any of the participants' rights that have already accrued under the ESSP without the participants' consent. Unlike the ESSP, Bell Aliant Inc. common shares held under the ESP are not issued from treasury.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table shows, as of December 31, 2010, information regarding compensation plans under which equity securities of Bell Aliant Inc. are authorized for issuance. This includes the Bell Aliant DSP, the Directors' DSP and the ESSP. Please refer to the *Long-term Incentive Compensation*, the *Compensation of Directors* section and note 7 of the Fund's consolidated financial statements for the year ended December 31, 2010, for further information.

category	Number of securities to be issued upon exercise of outstanding plan options, warrants and rights [1]	Number of securities remaining available for future issuance under equity compensation plans [2]
Equity compensation plans approved by security holders	1,380,568	4,342,581

Notes:
(1) Includes 1,380,568 deferred shares issued under the Bell Aliant DSP as of December 31, 2010. Of these, 968,600 deferred shares were vested at December 31, 2010, and the remaining deferred shares are subject to time and performance criteria being met before they become vested and can be exercised. There is no exercise price related to outstanding deferred shares.
(2) Includes a remaining reserve of 3,143,622 for the Bell Aliant DSP, less the number of deferred shares already granted, but for which Bell Aliant Inc. common shares have not yet been issued, and outstanding at December 31, 2010; a reserve of 300,000 for the matching deferred ownership plan; a reserve of 200,000 for the directors' deferred unit plan; and a remaining reserve of 2,079,527 for treasury share issuances under the ESSP. The matching deferred ownership plan and the directors' deferred unit plan are approved but have not been implemented. All other equity compensation plans have been implemented.

RETIREMENT PLANS

The named executive officers participate in a variety of DB and DC pension plans and supplementary executive retirement plans (**SERP**). While generally similar, certain specific terms regarding an individual's benefits may vary.

The amounts that follow are the approximate values of retirement plan obligations accrued as of December 31, 2010, the compensation costs incurred during 2010, 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's consolidated financial statements for the year ended December 31, 2010.

DB Plans

The following table provides information on accrued obligations for each named executive officer who is a member of a DB plan.

		Annual accrued benefit payable					
Name	Number of years of credited service [1]	At December 31, 2010 [2] ($)	At age 65 [3] ($)	Accrued obligation at start of year [4] ($)	Compensatory change in accrued obligation [5] ($)	Non compensatory change in accrued obligation [6] ($)	Accrued obligation at end of year [4] ($)
Karen Sheriff [7]	17.4	365,745	747,893	2,482,994	391,824	770,787	3,645,605
Glen LeBlanc	17.3	186,197	446,112	1,517,001	57,594	614,483	2,189,078
Charles Hartlen	24.9	167,034	270,009	2,064,673	32,033	574,711	2,671,417

Notes:
(1) Years of credited service include any additional service granted under a SERP.
(2) Annual pension accrued at year end is based on deferred pension payable at age 65 based on credited service and average earnings as of December 31, 2010.
(3) Annual pension payable at age 65 is based on projected service at age 65 and average earnings as of December 31, 2010.
(4) The accrued obligation refers to the present value of benefits earned to date. 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's consolidated financial statements for the year ended December 31, 2010.
(5) Compensatory elements, as reported in the pension value column of the SCT include service cost, impact of plan amendments of any, and the impact of changes to compensation from the previous year that differed from the previous year's assumptions.
(6) Non-compensatory elements include change in measurement assumptions (not related to plan amendments), non-pay-related experience, such as interest rates and retirement date assumptions, and benefit payments, if any.
(7) If Ms. Sheriff leaves prior to becoming eligible for retirement, no SERP benefits are payable and any additional years of credited service are forfeited. A portion of Ms. Sheriff's pension is the obligation of Bell Canada, in relation to her proportion of service at Bell Canada compared to her total service. The accrued benefit obligation shown represents Ms. Sheriff's entire obligation.

The following table summarizes each named executive officer's years of credited service under their registered pension plan and applicable SERP as well as years of actual service.

Name	Plan	Years of credited service	Years of actual service
Karen Sheriff	Registered pension plan SERP	11.6 17.4	16.6
Glen LeBlanc	Registered pension plan SERP	17.3 6.0	17.3
Charles Hartlen	Registered pension plan SERP	24.9 8.2	24.9

The years of service in Ms. Sheriff's SERP includes the service in the registered pension plan as well as an additional half year of credited service for each year that she has served as a senior officer at both Bell Canada and Bell Aliant. Ms. Sheriff's actual service includes five years with Ameritech/SBC for pension eligibility purposes only. The years of service in the registered pension plan and SERP for Mr. LeBlanc and Mr. Hartlen reflect that their SERP eligibility began upon their appointment to executive positions and that they had credited service as members of the Company registered pension plan prior to that date.

DC Plans

The following table provides information on the accumulated values for each named executive officer who is a member of a DC plan.

Name	Accumulated value at start of year	Compensatory change in value in the year [1]	Non-compensatory change in value in the year [2,3]	Accumulated value at end of year
Fred Crooks	$340,682	$91,642	$28,295	$460,619
Dan McKeen	N/A	$44,437	$2,410	$46,847

Notes:

(1) Compensatory elements include actual employer contributions to a registered DC plan or personal RRSP up to the annual income tax limit, as well as employer contributions to a notional account above that limit.

(2) Non-compensatory elements include investment earnings on the employer notional account for Mr. Crooks and Mr. McKeen. Non-compensatory elements do not include investment earnings on the employer contribution to the personal RRSP. The personal RRSP consists of personal accounts for which the Company does not have the relevant investment earnings information.

(3) Rate of return for investment earnings in the notional accounts is determined based on one or a combination of six asset classes, as chosen by the plan member. The rate of return for each asset class is represented by a specific index.

Karen Sheriff

Ms. Sheriff participates in the DB provision of the Bell Aliant Pension Plan (Ontario and Quebec), and a SERP. In general,
Ms. Sheriff will be entitled to receive SERP benefits upon attaining the earlier of:

- At least age 55, and the sum of age and credited service of at least 85; or
- At least age 60, and the sum of age and credited service of at least 80; or
- Age 65 and at least 15 years of credited service.

Ms. Sheriff will be entitled to unreduced retirement benefits from her SERP effective February 8, 2018, when she attains age 60 and the sum of her age and service for eligibility purposes is 80. At retirement, these plans will provide an annual pension per credited year of service of 1.0% of her best 36 consecutive months' average pensionable earnings up to the maximum pensionable earnings and 1.7% of her best 36 consecutive months' average pensionable earnings over the maximum pensionable earnings, to a maximum of 70% of her average pensionable 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 compensation reported in the SCT. These benefits are not subject to any deductions for government benefits or other offset amounts. Ms. Sheriff's SERP provides for an additional half-year of credited service for each year as a senior officer at both Bell Canada and Bell Aliant, and a survivor pension of approximately 60% of Ms. Sheriff's pension benefit. At retirement, Ms. Sheriff's SERP also provides for a lump-sum payment equal to her annual salary immediately prior to retirement.

Glen LeBlanc

Mr. LeBlanc participates in the Bell Aliant Defined Benefit Pension Plan and a SERP. Mr. LeBlanc will be entitled to receive unreduced retirement benefits effective August 2, 2022, when he attains age 55 and his service is greater than 25 years. In the event of termination without cause, Mr. LeBlanc is entitled to commence the receipt of pension benefits from his DB pension plan at age 55 (or his age at termination if later) without actuarial reduction for early retirement.

The plans provide an annual pension of 1.5% of his best 60 consecutive months' average pensionable earnings at retirement for each credited year of service before 2005, plus 1.7% of his best 36 consecutive months' average pensionable earnings at retirement for each credited year of service in or after 2005. Pensionable earnings include salary and short-term incentive payments but do not include long-term compensation reported in the SCT. At age 65, the pension benefit for service before 2005 is reduced to reflect benefits from the Canada Pension Plan. Mr. LeBlanc's SERP provides a survivor pension equal to 60% of Mr. LeBlanc's pension benefit.

Fred Crooks

Mr. Crooks participates in a non-contributory DC plan with Bell Aliant contributing 15% of his pensionable earnings. Pensionable earnings include salary and short-term incentive payments but do not include long-term compensation reported in the SCT. Bell Aliant's contributions up to the personal income tax limit are made to a RRSP 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 RRSPs for 2010 was $22,000.

Dan McKeen

Mr. McKeen participates in a non-contributory DC plan with Bell Aliant contributing 15% of his pensionable earnings. Pensionable earnings include salary and short-term incentive payments but do not include long-term compensation reported in the SCT. Bell Aliant's contributions up to the personal income tax limit are made to a RRSP and contributions in excess of the income tax limit are accrued and tracked in a notional account for Mr. McKeen. The maximum contribution that could be made to RRSPs for 2010 was $22,000.

Charles Hartlen

Mr. Hartlen participates in the Bell Aliant Defined Benefit Pension Plan and a SERP. Mr. Hartlen will be entitled to receive unreduced retirement benefits effective June 10, 2014, when he attains age 55 and his service is greater than 25 years.

The plans provide an annual pension of 1.5% of his best 60 consecutive months' average pensionable earnings at retirement for each credited year of service before October 21, 2002, plus 1.7% of his best 36 consecutive months' average pensionable earnings at retirement for each credited year of service after October 21, 2002. Pensionable earnings include salary and short-term incentive payments but do not include long-term compensation reported in the SCT. At age 65, the pension benefit for service before October 21, 2002, is reduced to reflect benefits from the Canada Pension Plan. Mr. Hartlen's SERP provides a survivor pension equal to 60% of Mr. Hartlen's pension benefit. Upon retirement Mr. Hartlen is entitled to receive a retirement leave allowance equal to six months of his base salary immediately prior to retirement.

TERMINATION OF EMPLOYMENT, CHANGE IN RESPONSIBILITIES AND EMPLOYMENT AGREEMENTS

Each of the named executive officers has a written employment agreement. Key terms of these agreements are provided below.

In addition, the written employment agreements include a non-compete, non-solicitation provision. The duration of the provision for Karen Sheriff is 24 months while all others are subject to this provision for 12 months subsequent to termination or resignation. There are no provisions in the agreements dealing with a change of control.

In the event a named executive officer ceases to be an employee due to resignation, retirement or termination without cause, they will receive specific treatment as summarized below:

	Resignation	Retirement	Termination without cause [1]
Severance	None	None	Severance equivalent to: • two times current base salary • two times perquisite allowance • two times target payout under short-term incentive plan
Short-term incentive plan	None	Award for current year is: • pro-rated to retirement date, and • based on actual STIP results from most recent quarter end prior to retirement date	Award for current year is: • pro-rated to termination date, and • based on actual STIP results from most recent quarter end prior to termination date
Perquisites	Ends as of the resignation date	Ends as of the retirement date	Ends as of the termination date
Benefits	Active employee benefits end as of resignation date	Active employee benefits end as of retirement date	Employer contributions to health, dental and life insurance continue for a period which is the lesser of: • six months from termination date, or • until commencing alternate employment
Vacation pay	Payment for unused vacation prorated to resignation date	Payment for unused vacation prorated to retirement date	Payment equivalent to 30 vacation days
Long-term incentive plan [2]	• Unvested deferred shares are forfeited • Vested deferred shares must be exercised within two years	Deferred shares for current year are pro-rated and: • Unvested deferred shares are forfeited • Vested deferred shares must be exercised within two years	Deferred shares for current year are pro-rated and: • Unvested deferred shares are forfeited • Vested deferred shares must be exercised within two years
Outplacement	None	None	$15,000 for outplacement services [3]

Notes:

(1) The receipt of severance is conditional on the named executive officer providing a release of claims which he or she may have resulting from termination of employment. In addition, the named executive officer is required to comply with the terms of a non-competition, non-solicitation, confidentiality, and intellectual property agreement. The non-competition and non-solicitation provisions range from 12 to 24 months in duration.

(2) The DSP permits the MRCC to waive forfeiture and vesting criteria.

(3) Not applicable for Mr. Crooks.

Summary Table

Name	Payable on retirement [1] ($)	Payable on termination without cause ($)
Karen Sheriff	$700,000 [2]	$2,900,000
Glen LeBlanc	None	$1,539,000
Fred Crooks	None	$1,462,875
Dan McKeen	None	$1,294,688
Charles Hartlen	$150,000	$1,055,000

Notes:

(1) Amounts exclude pension entitlement; please refer to the *Retirement Plans* section of this Report on Executive Compensation for pension amounts.

(2) As of February 8, 2018, Ms. Sheriff will become eligible for retirement under her SERP, and is entitled to a retirement allowance of 1x base salary.

Details on additional incremental entitlements of our named executive officers for termination of employment as of December 31, 2010, that are not included in the table above are provided below (where applicable):

Karen Sheriff

Ms. Sheriff is eligible for a one-time lump sum payment in the following amount, if she resigns or if her employment is terminated without cause on or before February 8, 2018:
(a) if the period of active employment ends on or before June 30, 2011, an amount equal to 1.5x base salary + target STIP; or
(b) if the period of active employment ends after June 30, 2011, and on or before June 30, 2013, an amount equal to 2.0x base salary + target STIP; or
(c) if the period of active employment ends after June 30, 2013, and on or before February 8, 2018, an amount equal to 2.5x base salary + target STIP.

Glen LeBlanc

In the event of termination without cause, Mr. LeBlanc is entitled to commence receipt of pension benefits from his DB pension plan at age 55 (or his age at termination, if later) without actuarial reduction for early retirement.

Fred Crooks

In the event of termination without cause, Mr. Crooks is entitled to receive two times the annual pension contribution at the time of termination.

Dan McKeen

In the event of termination without cause, Mr. McKeen is entitled to receive two times the annual pension contribution at the time of termination.

Charles Hartlen

Upon retirement Mr. Hartlen is entitled to receive a retirement leave allowance equal to six months of his base salary immediately prior to retirement.

COMPENSATION OF DIRECTORS

Bell Aliant Holdings Inc. (January 1 – December 31, 2010)
Compensation

Following a preliminary review of changes in market compensation and consultation with Towers Watson, the Governance committee completed its annual review of Fund trustee and Bell Aliant Holdings Inc. director compensation in November 2010, and determined that no formal review of compensation was required at that time.

During 2010, the directors of Bell Aliant Holdings Inc. were compensated as follows:
1. The annual fixed fee for directors who are not committee chairs was $120,000;
2. The annual fixed fee for the chair of the Governance committee and Management resources and compensation committee (Robert Dexter) was $150,000; and
3. The annual fixed fee for the lead independent director and chair of the Audit committee (Edward Reevey, who was also chair of the Pension committee) was $200,000.

Directors of Bell Aliant Holdings Inc. employed by the Fund, its subsidiaries, BCE or Bell Canada did not receive any compensation in 2010. In the case of directors employed by BCE or Bell Canada, in respect of their duties as directors, compensation was payable to Bell Canada as agreed by Bell Aliant and Bell Canada. 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. Fund trustees who were also directors of Bell Aliant Holdings Inc. did not receive compensation as trustees that was in addition to the compensation they received as directors of Bell Aliant Holdings Inc.

2010 Compensation

The following table outlines the compensation earned by each Bell Aliant Holdings Inc. director in 2010:

Director	2010 retainer ($)
George Cope [1]	0
Kevin Crull [1]	0
Robert Dexter [2]	150,000
Edward Reevey [2]	188,462
Karen Sheriff [3]	0
Andrew Smith [4]	0
Louis Tanguay	120,000
Siim Vanaselja [1]	0
David Wells [1]	0
Victor Young [5]	55,385

Notes:
(1) In the case of directors employed by BCE or Bell Canada, compensation was payable to Bell Canada as agreed by Bell Aliant and Bell Canada.
(2) Edward Reevey was chair of the Audit committee, Pension committee and lead independent director. To reflect additional responsibilities associated with his appointment to the Governance and Management resources and compensation committees, Mr. Reevey received an increase in compensation from $175,000 to $200,000 effective June 16, 2010. Robert Dexter was chair of the Governance committee and chair of the Management resources and compensation committee.
(3) Karen Sheriff was president and chief executive officer of Bell Aliant LP. Therefore, during 2010, Ms. Sheriff did not receive compensation in respect of her duties as a Bell Aliant Holdings Inc. director.
(4) Andrew Smith was appointed to the Bell Aliant Holdings Inc. board on June 16, 2010.
(5) Victor Young did not stand for re-election and his term as director ended on June 16, 2010.

Minimum Ownership Requirements

As part of its compensation model for trustees and directors, the Bell Aliant Holdings Inc. board approved a minimum ownership policy. Directors were required to hold Fund units with a minimum market value of $250,000 by December 31, 2010. Directors who were employed by the Fund, its subsidiaries, BCE or Bell Canada did not receive compensation and those directors were therefore not required to meet unit ownership requirements. All other directors met the December 31, 2010 minimum ownership requirements. Karen Sheriff was president and chief executive officer of Bell Aliant LP and was subject to a minimum ownership requirement of Fund units equal to four times her base salary. Current ownership requirements for Ms. Sheriff can be found in the *Revised Share Ownership Guideline*s section of the Compensation Discussion and Analysis.

Bell Aliant Inc. (effective January 1, 2011)

Compensation

Effective January 1, 2011, the directors of Bell Aliant Inc. will be compensated as follows:

1. The annual fixed fee for directors who are not committee chairs is $120,000;
2. The annual fixed fee for the chair of the Governance committee and Management resources and compensation committee (Robert Dexter) is $150,000; and
3. The annual fixed fee for the lead independent director and chair of the Audit committee (Edward Reevey, who is also chair of the Pension committee) is $200,000.

Directors of Bell Aliant Inc. employed by Bell Aliant, its subsidiaries, BCE or Bell Canada do not receive any compensation. In the case of directors employed by BCE or Bell Canada, in respect of their duties as directors, compensation is payable to Bell Canada as agreed by Bell Aliant and Bell Canada. 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.

Bell Aliant Directors' Deferred Share Unit Plan

Bell Aliant Inc. established the Bell Aliant directors' deferred share unit plan (*directors' DSUP*) effective January 1, 2011. The directors' DSUP is intended to enhance Bell Aliant's ability to attract and retain high quality individuals to serve as directors and to promote a greater alignment between non-employee directors and the shareholders of Bell Aliant. Each director who is not an employee of Bell Aliant, its subsidiaries, BCE or Bell Canada (an *eligible person*) is eligible to participate in the directors' DSUP. The directors' DSUP requires that 100% of an eligible person's annual retainer be paid in the form of deferred share units until the minimum ownership requirement is met, as outlined below. Once the minimum ownership requirement is met, the directors' DSUP provides that an eligible person shall continue to receive 100% of any remaining annual retainer for that year in deferred share units. In future years, an eligible person must continue to defer at least 25% of his or her annual compensation to the directors' DSUP. At the end of each quarter, fees deferred are divided by the market value of a share and converted to deferred share units recorded in the eligible person's account.

Minimum Ownership Requirements

The Bell Aliant board approved a minimum share ownership policy effective January 1, 2011. Directors are required to hold shares and/or deferred share units with a minimum combined market value of $250,000 within three years of becoming a Bell Aliant director. Directors who are employed by Bell Aliant, its subsidiaries, BCE or Bell Canada do not receive compensation and those directors are therefore not required to meet unit ownership requirements. Catherine Bennett, who was appointed as a director on February 8, 2011, will be required to meet the minimum share ownership requirements by February 8, 2014. All other directors meet the current minimum share ownership requirements. Karen Sheriff is president and chief executive officer of Bell Aliant and is subject to a minimum ownership requirement of Bell Aliant shares equal to four times her base salary. Ownership requirements for Ms. Sheriff can be found in the *Share Ownership Guideline*s section of the Compensation Discussion and Analysis.

The following table shows each 2010 director's minimum ownership requirement as well as the number of Fund Units held as at December 31, 2010, and their aggregate value, which is the number of Fund Units multiplied by the closing price of Fund Units on the TSX on December 31, 2010 ($25.99). As a result of the completion of the

Arrangement, on January 1, 2011 each director received one share in exchange for each Fund Unit owned on December 31, 2010.

	Total Fund Units held by directors as at December 31, 2010		
	Unit Ownership requirement	**Fund Units held**	**Total value of Fund Units held**
Director	**($)**	**(#)**	**($)**
George Cope [1]	N/A	11,263	292,725
Kevin Crull [1]	N/A	220	5,718
Robert Dexter [1]	250,000	11,814	307,046
Edward Reevey	250,000	41,898	1,088,929
Karen Sheriff	See note 2	140,960 [3]	3,663,550
Smith, Andrew	N/A	38	988
Louis Tanguay	250,000	23,081	599,875
Siim Vanaselja [1]	N/A	742	19,285
David Wells [1]	N/A	33	858

Notes:

(1) In the case of directors employed by BCE or Bell Canada, there is no unit ownership requirement.

(2) Karen Sheriff, being an employee of Bell Aliant, participates in the executive DSP. Executive ownership requirements apply as noted above in the *Minimum Ownership Requirements* section above. For further information refer to the *Share Ownership Guideline*s section of the Compensation Discussion and Analysis.

(3) This number includes 540 shares and 140,420 deferred share units. For further details on the executive DSP, ownership guidelines applicable to Karen Sheriff, and her executive DSP holdings, refer to the *Share Ownership Guideline*s section of the Compensation Discussion and Analysis.

GLOSSARY

"**Administration Agreement**" means the amended and administration agreement dated January 1, 2011 between Bell Aliant Inc. and Bell Aliant LP, as the same may be amended, supplemented or restated from time to time;

"**AIF**" means annual information form;

"**AMP**" means Atlantic Mobility Products Limited Partnership;

"**Aliant**" means Aliant Inc., the predecessor corporation to the Fund;

"**BCE**" means BCE Inc.;

"**Bell Aliant Business**" means the wireline telecommunications operation in Atlantic Canada, information technology operation and other related operations, Bell Aliant LP broadcasting distribution business, and the wireline telecommunications operation in certain of its regional territories in Ontario and Québec;

"**Bell Aliant Central Territory**" means the regions of Ontario and Québec, excepting the territory covered by the Bell Nordiq Partnerships, operated by Bell Aliant;

"**Bell Aliant GP**" means Bell Aliant Regional Communications Inc., a corporation incorporated under the CBCA;

"**Bell Aliant Group**" refers to, collectively, Bell Aliant Inc., Bell Aliant GP, Bell Aliant LP, Prefco, NorthernTel LP and Télébec LP and their respective subsidiaries;

"**Bell Aliant Holdings Inc.**" means Bell Aliant Regional Communications Holdings Inc., a corporation that was incorporated under the CBCA, and which acted as general partner of Bell Aliant Holdings LP;

"**Bell Aliant Holdings LP**" means Bell Aliant Regional Communications Holdings, Limited Partnership, a limited partnership that was formed under the laws of the Province of Québec;

"**Bell Aliant Inc.**" means Bell Aliant Inc., a corporation incorporated under the CBCA, and the successor to the Fund;

"**Bell Aliant LP**" means Bell Aliant Regional Communications, Limited Partnership, a limited partnership formed under the laws of the Province of Manitoba;

"**Bell Aliant LP Partnership Agreement**" means the amended and restated limited partnership agreement dated January 1, 2011 in respect of Bell Aliant LP as the same may be amended or amended and restated from time to time;

"**Bell Nordiq Partnerships**" means NorthernTel LP and Télébec LP;

"Bilateral Intellectual Property Sharing Agreement" has the meaning given to such term under "Material Contracts – Other Agreements with BCE and Bell Canada";

"**Broadcasting Act**" means the *Broadcasting Act* (Canada), as amended and where applicable any regulations or directives issued thereunder;

"**CBCA**" means the *Canada Business Corporations Act*, as amended, including the regulations promulgated thereunder;

"**Class A LP Units**" means the Class A limited partnership units of Bell Aliant LP;

"**Class B LP Units**" means the Class B exchangeable limited partnership units of Bell Aliant LP;

"**Commercial Relationship Management Agreement**" or "**CRMA**" means the commercial relationship management agreement dated July 7, 2006 between Bell Canada and Bell Aliant LP;

“**Connecting and Operating Agreement**” means the connecting and operating agreement dated July 7, 2006 between Bell Canada and Bell Aliant LP;

“**Conversion”** means the transaction that converted the Fund from an income trust to a corporate structure;

“**Credit Agreement**” has the meaning given to such term under “Material Contracts”;

“**CRTC**” means the Canadian Radio-television and Telecommunications Commission, an agency of the Government of Canada;

““**CSI**” means Customer Service Index as described in the “2010 Compensation Overview and Targets” section of Schedule 3,;

DB Plan” means Defined Benefit Pension Plan as described in the “Elements of our 2010 Compensation Model - Pensions” section of Schedule 3;

“**DBRS**” means DBRS Limited;

“**DC Plan**” means Defined Contribution Pension Plan as described in the “Elements of our 2010 Compensation Model - Pensions” section of Schedule 3;

“**Demand Registration**” has the meaning given to such term under “Other Material Agreements – Investor Liquidity Agreement”;

“**DSP**” means Deferred Share Plan as described in the “Elements of our 2010 Compensation Model” section of Schedule 3;

“**DSUP**” means Deferred Share Unit Plan as described in the “Changes We Made in 2010, Arising Primarily From Conversion” section of Schedule 3;

“**DUP**” means Deferred Unit Plan, which was replaced by the Deferred Share Plan (DSP) as a result of the conversion from an income trust to a corporation;

“**EBITDA**” refers to earnings before interest, taxes, depreciation and amortization expenses and certain other items. This term may have a different meaning from that used in Bell Aliant Holdings LP’s MD&A for the year ended December 31, 2010, or in various agreements to which we are party, wherein the term will be defined in those agreements where it is used;

“**ESP**” means the Employees’ Savings Plan available to eligible employees in the Ontario and Quebec, as described in the “Elements of our 2010 Compensation Model – Benefits and Perquisites” section of Schedule 3;

“**ESSP**” means the Employees’ Stock Savings Plan available to eligible employees in the Atlantic Provinces, as described in the “Elements of our 2010 Compensation Model – Benefits and Perquisites” section of Schedule 3;

“**EUPP**” means Employee Unit Purchase Plan, which was replaced by the Employee Stock Savings Plan (ESSP) as a result of the conversion from an income trust to a corporation;

“**Exchangeable LP Units**” means, collectively, the Holdings Class 1 Exchangeable LP Units, the Class B LP Units and the accompanying Special Voting Units;

“**FTTH**” refers to fibre-to-the-home as discussed under “General Development of the Business – Three Year History”;

“**Fund**” means Bell Aliant Regional Communications Income Fund, a trust that was established under the laws of the Province of Ontario pursuant to the Fund Declaration of Trust;

“**Fund Declaration of Trust**” means the amended and restated declaration of trust dated January 1, 2011 establishing and governing the Fund, as the same may be amended or amended and restated from time to time;

“**Fund Units**” means the units of the Fund designated as “Units” in the Fund Declaration of Trust;

“**Holdings Class 1 Exchangeable LP Units**” means Class 1 exchangeable limited partnership units of Bell Aliant Holdings LP;

“**Holdings Class 2 LP Units**” means Class 2 limited partnership units of Bell Aliant Holdings LP;

“**Holdings Trust**” means Bell Aliant Holdings Trust, a trust that was established under the laws of the Province of Québec pursuant to the Holdings Trust Declaration of Trust;

“**Holdings Trust Declaration of Trust**” means the amended and restated declaration of trust dated July 6, 2006 that established and governed Holdings Trust, as the same may be amended or amended and restated from time to time;

“**Investor Liquidity Agreement**” means the amended and restated investor liquidity agreement dated January 1, 2011 described under “Other Material Agreements – Investor Liquidity Agreement”;

“**IPTV**” means Internet Protocol TV;

“**IT**” means information technology;

“**LP Notes**” means medium-term notes issued by Bell Aliant LP under its LP Notes indenture dated September 14, 2006, as supplemented;

“**LTIP**” means long-term incentive plan as described in the “Elements of our 2010 Compensation Model” section of Schedule 3;

“**Major Commercial Agreements**” means the Commercial Relationship Management Agreement and the Connecting and Operating Agreement;

“**MD&A**” means management’s discussion and analysis;

“**MOA**” means Memorandum of Agreement with BCE and Bell Canada as described under “Material Contracts – Agreements with BCE and Bell Canada”;

“**MRCC**” means the Management Resources and Compensation Committee as in the “Report on Executive Compensation – Our Compensation Committee” section of Schedule 3;

“**Nomination and Appointment Agreement**” means the nomination and appointment agreement dated March 15, 2011 between Bell Aliant Inc. and Prefco in connection with the issue of Series A Preferred Shares, as described under “Material Contracts”;

“**Non-Voting Common Shares**” means the non-voting common shares in the capital of Bell Aliant GP;

“**Non-Resident**” means (i) a person who is not a resident of Canada within the meaning of the Tax Act or (ii) a partnership that is not a Canadian partnership for the purposes of the Tax Act;

“**NorthernTel LP**” means NorthernTel, Limited Partnership, a limited partnership formed under the laws of the Province of Québec;

“**Prefco**” means Bell Aliant Preferred Equity Inc., a corporation formed under the CBCA as a wholly-owned subsidiary of Bell Aliant GP for the sole purpose of being the issuer of preferred shares for the Bell Aliant Group;

“**Radiocommunication Act**” means the *Radiocommunication Act* (Canada), as amended, and the regulations thereunder;

“**Securityholders’ Agreement**” has the meaning given to such term under “Other Material Agreements – Securityholders’ Agreement”;

“**Series A Guarantee**” has the meaning given to such term under “Description of Capital Structure – Capital Structure of Prefco”;

“**Series A Preferred Shares**” has the meaning given to such term under “General Description of the Business – Recent Developments”;

“**Series B Guarantee**” has the meaning given to such term under “Description of Capital Structure – Capital Structure of Prefco”;

“**Series B Preferred Shares**” has the meaning given to such term under “General Description of the Business – Recent Developments”;

“**SERP**” means supplementary executive retirement plans, as described in the “Retirement Plans” section of Schedule 3;

“**Shareholders**” means the shareholders of Bell Aliant Inc. from time to time;

“**Special Voting Units**” means the units of the Fund designated as “Special Voting Units” under the Fund Declaration of Trust;

“**STIP**” means short-term incentive plan as described in the “Elements of our 2010 Compensation Model” section of Schedule 3;

“**Tax Act**” means the *Income Tax Act* (Canada), including the regulations promulgated thereunder, in each case as amended;

“**Télébec LP**” means Télébec, Limited Partnership, a limited partnership formed under the laws of the Province of Québec;

“**Telecommunications Act**” means the *Telecommunications Act* (Canada), as amended, and the regulations thereunder;

“**TSX**” means the Toronto Stock Exchange;

“**VoIP**” means Voice over Internet Protocol;

“**Voting Common Shares**” means the voting common shares in the capital of Bell Aliant GP;

“**xwave**” means Bell Aliant LP’s IT services business previously known as Xwave Solutions Inc.; and

“**xwave Sale Agreement**” has the meaning given to such term under “Material Contracts”.