



Bell Aliant Regional Communications Income Fund Management's Discussion and Analysis For the period ended September 30, 2006

This document provides management's discussion and analysis (MD&A) of our financial condition as at and results of operations for the period ended September 30, 2006. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes of Bell Aliant Regional Communications Income Fund for the period ended September 30, 2006, together with the unaudited interim consolidated financial statements and notes and MD&A of Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP) for the period ended September 30, 2006.

Throughout this MD&A, "we", "us", "our" and the "Fund" refer to the Bell Aliant Regional Communications Income Fund.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). All amounts in this MD&A are in millions of Canadian dollars, except where otherwise noted. Additional information related to the Fund is available at www.sedar.com.

Forward-looking information

This MD&A is dated October 26, 2006, and is current to that date, unless otherwise stated. This document contains forward-looking statements concerning anticipated future events, results, circumstances and expectations, particularly regarding the Bell Nordiq Income Fund proposal described herein. These statements are based on current expectations and estimates about the markets in which we operate and management's beliefs and assumptions regarding these markets. Unless otherwise indicated, forward-looking statements in this MD&A describe our expectations at October 26, 2006. In some cases, forward-looking statements may be identified by words such as "anticipate", "believe", "could", "expect", "plan", "seek", "may", "intend", "will" and similar expressions. These statements are subject to important risks and uncertainties, which are difficult to predict, and assumptions, which may prove to be inaccurate. Some of the factors which could cause results or events to differ materially from current expectations include but are not limited to: Bell Nordiq Income Fund unitholder response to the proposal; the performance of Bell Aliant Holdings LP; stock market volatility; market or business conditions; and changing laws or regulations. Some of these factors are largely beyond our control. Should any factor affect us in an unexpected manner, or should assumptions underlying the forward-looking statements prove incorrect, the actual results or events may differ materially from the results or events predicted. Unless otherwise indicated, forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. All of the forward-looking statements made 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. Readers should not place undue reliance on any forward-looking statements. Please see the "Risk and risk management" section for a further discussion of factors that may affect actual results.

About our business

We are an unincorporated, open-ended trust governed by the laws of the province of Ontario pursuant to a Declaration of Trust dated March 30, 2006, as amended and restated on July 6, 2006. We did not carry on any business for the period from establishment on March 30, 2006, to July 7, 2006. Accordingly, the financial

information for the interim period ended September 30, 2006, reflects operations from July 7, 2006, to September 30, 2006.

On July 7, 2006, the Plan of Arrangement (the Arrangement) to combine Aliant Inc.'s (Aliant) wireline telecommunications operation in Atlantic Canada, information technology operation and other related operations with Bell Canada's wireline telecommunications operation in certain of its regional territories in Ontario and Québec (the Combined Business) and Bell Canada's 63.4 per cent indirect interest in NorthernTel, Limited Partnership and Télébec Limited Partnership (the Bell Nordiq Partnerships), was completed as described in Aliant's Management Information Circular dated April 14, 2006.

As a result of the Arrangement, we indirectly own an 81.5 per cent equity interest Bell Aliant Holdings LP, which in turn consolidates subsidiaries which hold the operations of the Combined Business and a 63.4 per cent interest in the Bell Nordiq Partnerships.

We are entirely dependent on distributions from Bell Aliant Holdings LP to make our own distributions. We qualify as a "mutual fund trust" for the purposes of the Income Tax Act (Canada) and as such, are only taxable on any income not allocated to unitholders.

Selected financial information

For the period ended September 30, 2006

(millions of dollars)

Net earnings	\$	78.6
Total assets	\$	4,170.0
Total liabilities	\$	28.3
Unitholders equity	\$	4,141.7
Distributions declared	\$	77.9

Net earnings

Net earnings for the period were equal to operating revenues, and consist of cash distributions declared by Bell Aliant Holdings LP. The financial performance of Bell Aliant Holdings LP is discussed in its MD&A for the period ended September 30, 2006.

Assets and liabilities

At September 30, 2006, our assets mainly consist of our indirect investment in and distributions receivable from Bell Aliant Holdings LP. Our liabilities consist of distributions payable to our unitholders.

Unitholders' equity

As a result of the Arrangement, Aliant common shares held by the public and a certain number of Aliant common shares held by BCE Inc. (BCE) were exchanged for Fund units on a one-for-one basis, effective at the close of business on July 7, 2006. The Fund units each represent an equal fraction of undivided beneficial interest in the Fund. All Fund units are transferable and share equally in all our distributions whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of its termination or winding-up. All Fund units rank among themselves equally and ratably without discrimination, preference or priority. Each Fund unit entitles the holder thereof to certain rights of redemption.

Exchangeable partnership units are issued by certain of our subsidiaries and are intended to be, to the greatest extent practicable, the economic equivalent of Fund units. Holders of exchangeable partnership units are entitled to receive per unit distributions from the partnerships equal, to the greatest extent practicable, to per unit distributions we pay to holders of Fund units. Each exchangeable partnership unit is exchangeable for a Fund unit on a one-for-one basis. The exchangeable partnership units are transferable subject to certain restrictions.

Each exchangeable partnership unit is issued together with a special voting unit of the Fund entitling the holder to one vote at all meetings of unitholders of the Fund, for each special voting unit held. Concurrent with the exchange of exchangeable partnership units for Fund units, any related special voting units will be cancelled.

At September 30, 2006, there were 124,118,633 Fund units outstanding and 100,373,827 exchangeable partnership units outstanding, which represent 224,492,460 Fund units on a fully diluted basis. The number of fully diluted Fund units outstanding has not substantially changed at October 26, 2006.

Distributions

We expect to make monthly cash distributions to our unitholders. During the period ended September 30, 2006, we declared distributions totalling \$77.9 million, or \$0.6279 per unit. The first distribution, totalling \$49.6 million and representing the period from July 7, 2006, to August 31, 2006, was paid to unitholders on September 15, 2006.

Stability ratings

Our stability ratings are SR-2, negative outlook for Standard and Poors and STA-2 (high) for Dominion Bond Rating Service.

A rating is not a recommendation to buy, sell or hold units and may be revised or withdrawn at any time. Stability ratings do not take into consideration such factors as pricing or stock market risk.

Related party transactions

BCE owned, directly and indirectly, 44.7 per cent of the Fund on a fully diluted basis at October 26, 2006. A security holders' agreement among the Fund, its subsidiaries, BCE and Bell Canada, provides that so long as BCE, directly or indirectly, holds not less than 30 per cent of the Fund units on a fully diluted basis, and certain commercial agreements with BCE have not been terminated, BCE shall be entitled to appoint up to a majority of the directors of material subsidiaries of the Fund. As long as BCE directly or indirectly holds not less than 20 per cent, BCE will be provided with certain consent rights, including the right to approve the appointment or removal of any Chief Executive Officer. In addition, the security holders' agreement provides BCE and Bell Canada with pre-emptive rights to purchase securities in the event that units, securities convertible into units, or debt securities are issued.

Proposed transaction

On October 11, 2006, we announced a proposal to increase our 63.4 per cent interest and to take the Bell Nordiq Income Fund private. Under the proposal, Bell Nordiq Income Fund unitholders would receive \$4.75 in cash and 0.4113 of a Fund unit for each Bell Nordiq Income Fund unit held. This represents \$19.00 per Bell Nordiq Income Fund unit based on the closing price of Fund units on October 10, 2006. The proposal is conditional upon approval by the Bell Nordiq Income Fund unitholders, including by a majority of the votes cast by holders other than the Fund and its affiliates and other insiders. The transaction is also subject to applicable securities laws, including the Ontario and Quebec rules regarding business combination transactions of this nature.

Significant accounting policies and critical accounting estimates

Refer to note 1 of our unaudited interim consolidated financial statements for the period ended September 30, 2006, for additional information about the accounting principles we use to prepare our financial statements.

For a discussion of future changes in accounting policies, refer to the "Significant accounting policies and critical accounting estimates" section of the Bell Aliant Holdings LP MD&A for the period ended September 30, 2006.

Risk and risk management

The following is a discussion of risks that are unique to income trusts. For a discussion of risks related to the business of Bell Aliant Holdings LP, refer to the “Risk and risk management” section of Bell Aliant Holdings LP’s MD&A for the period ended September 30, 2006.

Dependence on Bell Aliant Holdings LP

We are an open-ended, limited purpose trust, and are entirely dependent on distributions from Bell Aliant Holdings LP to make our distributions. There can be no assurance regarding our ability to make distributions, which is dependent upon the financial performance of Bell Aliant Holdings LP.

Unpredictability and volatility of unit price

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

Nature of Fund units

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

The Fund units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Fund units do not represent a direct investment in the business of Bell Aliant Holdings LP and should not be viewed by investors as shares or interests in such entity or any other company. The Fund units do not represent debt instruments and there is no principal amount owing to unitholders. As holders of Fund units, unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. Each Fund unit represents an equal, undivided, beneficial interest in the Fund. The price per unit is a function of our anticipated distributable cash at any time, which, in turn is dependent on the distributable cash distributed upstream by Bell Aliant Holdings LP.

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

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

Structural subordination of the Fund units

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

Capital investment

The timing and amount of capital expenditures by Bell Aliant Holdings LP directly affects the amount of distributable cash available for distribution, including, ultimately, the cash available for distributions to unitholders. Such distributions may be reduced, or even eliminated, at times when Trustees deem it necessary to make significant capital or other expenditures. For details on planned capital expenditures of Bell Aliant Holdings LP and the sources of financing for these expenditures, refer to Bell Aliant Holdings LP's MD&A for the period ended September 30, 2006.

Limitation on Non-Resident ownership

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

Dilution

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

The acceptance of our proposal to increase our ownership interest and to take the Bell Nordiq Income Fund private could result in the issuance of approximately 14 million Fund units.

Income tax

Under Canadian income tax laws, we are considered a "mutual fund trust" and the rules relating to the treatment of mutual fund trusts may change in the future. This could have an adverse material effect on us and our unitholders. Our Fund Declaration of Trust requires us to distribute a sufficient amount of net income and net realized capital gains in order to eliminate our liability for tax under Part I of the Canadian Income Tax Act. If the net income and net realized gains are greater than the cash available for distribution for a given year, the excess will be distributed to unitholders in the form of additional Fund units.