

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

September 30, 2009

The logo for Bell Aliant, featuring the word "Bell" in a bold, blue, sans-serif font, followed by "Aliant" in a lighter blue, sans-serif font. The entire logo is set against a light blue rectangular background.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Consolidated balance sheets

(Unaudited)		As at	As at
(millions of dollars)	Notes	September 30, 2009	December 31, 2008
Assets			
Current assets			
Cash and cash equivalents		\$ 27.4	\$ 14.6
Accounts receivable		312.0	348.4
Inventory		15.1	13.3
Prepayments		29.6	16.5
Future income tax asset		51.3	40.8
Income tax receivable		12.6	9.1
Current assets of discontinued operations	2	2.1	15.0
		450.1	457.7
Capital investments			
Property, plant and equipment		3,677.6	3,726.1
Finite-life intangibles	3	3,095.2	3,218.3
		6,772.8	6,944.4
Other assets			
Long-term receivables	5	24.5	34.9
Deferred charges		12.1	15.9
Future income tax asset		4.2	7.1
Accrued benefit asset	4	410.9	398.9
Indefinite-life intangibles		125.2	125.2
Goodwill	5	2,768.3	2,766.6
Non-current assets of discontinued operations	2	1.5	2.3
		3,346.7	3,350.9
Total assets		\$ 10,569.6	\$ 10,753.0
Liabilities and partners' equity			
Current liabilities			
Notes payable to related party	14	\$ 2.3	\$ 6.2
Payables and accruals	6	366.5	451.2
Distributions payable	14	55.3	55.4
Future income tax liability		-	0.5
Short-term debt	7	77.5	208.2
Long-term debt due within one year	8	18.6	114.7
Current liabilities of discontinued operations	2	1.9	7.6
		522.1	843.8
Future income tax liability		439.2	453.2
Long-term debt	8	2,754.0	2,454.0
Derivative liabilities	9	-	15.2
Accrued benefit liability	4	397.6	421.9
Deferred credits and other long-term liabilities	6	27.5	19.5
Non-current liabilities of discontinued operations	2	0.2	-
Total liabilities		4,140.6	4,207.6
Non-controlling interest		1,609.6	1,662.5
Partners' equity		4,819.4	4,882.9
Total liabilities and partners' equity		\$ 10,569.6	\$ 10,753.0

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

Consolidated statements of earnings

(Unaudited)

For the period ended September 30

(millions of dollars, except earnings per unit)	Notes	Three months		Nine months	
		2009	2008	2009	2008
Operating revenues		\$ 785.8	\$ 806.6	\$ 2,388.6	\$ 2,443.1
Expenses					
Operating expenses		430.9	460.7	1,352.5	1,433.0
Depreciation and amortization		177.4	174.6	530.8	522.3
Restructuring and other charges	6	13.8	-	26.6	-
		622.1	635.3	1,909.9	1,955.3
		163.7	171.3	478.7	487.8
Other expenses (income)					
Financial derivatives loss	9, 11	-	-	13.3	-
Other expenses (income)		(0.8)	(0.6)	(1.1)	2.0
		(0.8)	(0.6)	12.2	2.0
Interest charges					
Interest on long-term debt		37.5	34.7	108.3	103.2
Other interest expense		2.5	3.4	8.2	14.0
		40.0	38.1	116.5	117.2
Earnings before underlisted items		124.5	133.8	350.0	368.6
Income taxes					
Current tax recovery		-	-	(2.0)	(3.9)
Future tax recovery		(8.4)	(0.9)	(30.1)	(0.9)
		(8.4)	(0.9)	(32.1)	(4.8)
Earnings before non-controlling interest		132.9	134.7	382.1	373.4
Non-controlling interest		34.1	39.6	104.2	117.8
Net earnings from continuing operations		98.8	95.1	277.9	255.6
Net loss from discontinued operations	2	(7.0)	(1.6)	(14.3)	(13.4)
Net earnings		\$ 91.8	\$ 93.5	\$ 263.6	\$ 242.2
Earnings per unit					
Basic from continuing operations		\$ 0.62	\$ 0.59	\$ 1.73	\$ 1.60
Basic from discontinued operations		(0.05)	(0.01)	(0.09)	(0.08)
Basic		\$ 0.57	\$ 0.58	\$ 1.64	\$ 1.52

See accompanying notes to the consolidated financial statements

Consolidated statements of comprehensive earnings

(Unaudited)

For the period ended September 30

(millions of dollars)	Note	Three months		Nine months	
		2009	2008	2009	2008
Net earnings		\$ 91.8	\$ 93.5	\$ 263.6	\$ 242.2
Other comprehensive earnings (loss), net of tax	11	0.9	(0.5)	14.7	(0.5)
Comprehensive earnings		\$ 92.7	\$ 93.0	\$ 278.3	\$ 241.7

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Consolidated statements of partners' equity
(Unaudited)

For the period ended September 30, 2009

<i>(millions of dollars)</i>	Notes	Partners' capital	Contributed surplus	Accumulated earnings	Accumulated other comprehensive loss	<i>Total accumulated earnings and other comprehensive loss</i>	Total partners' equity
Balance December 31, 2008		\$ 2,061.5	\$ 0.4	\$ 2,863.7	\$ (42.7)	\$ 2,821.0	\$ 4,882.9
Net earnings		-	-	263.6	-	263.6	263.6
Distributions declared on:							
Class 1 exchangeable limited partnership units		-	-	(61.3)	-	(61.3)	(61.3)
Class 2 limited partnership units	14	-	-	(280.5)	-	(280.5)	(280.5)
Other comprehensive earnings, net of tax	11	-	-	-	14.7	14.7	14.7
Balance September 30, 2009		\$ 2,061.5	\$ 0.4	\$ 2,785.5	\$ (28.0)	\$ 2,757.5	\$ 4,819.4

For the period ended September 30, 2008

<i>(millions of dollars)</i>	Notes	Partners' capital	Contributed surplus	Accumulated earnings	Accumulated other comprehensive loss	<i>Total accumulated earnings and other comprehensive loss</i>	Total partners' equity
Balance December 31, 2007		\$ 1,548.0	\$ 0.2	\$ 2,995.8	\$ (37.2)	\$ 2,958.6	\$ 4,506.8
Net earnings		-	-	242.2	-	242.2	242.2
Issuance of class 2 limited partnership units on business combination		513.5	-	-	-	-	513.5
Distributions declared on:							
Class 1 exchangeable limited partnership units		-	-	(61.1)	-	(61.1)	(61.1)
Class 2 limited partnership units	14	-	-	(279.4)	-	(279.4)	(279.4)
Other comprehensive earnings, net of tax	11	-	-	-	(0.5)	(0.5)	(0.5)
Balance September 30, 2008		\$ 2,061.5	\$ 0.2	\$ 2,897.5	\$ (37.7)	\$ 2,859.8	\$ 4,921.5

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

Consolidated statements of cash flows

(Unaudited)

For the period ended September 30

(millions of dollars)

	Notes	Three months		Nine months	
		2009	2008	2009	2008
Cash from (used in) operating activities					
Net earnings from continuing operations		\$ 98.8	\$ 95.1	\$ 277.9	\$ 255.6
Adjustments to reconcile net earnings to cash from operating activities					
Depreciation and amortization		177.4	174.6	530.8	522.3
Gain on disposal of assets		-	(1.4)	(1.0)	(1.6)
Future income tax recovery		(8.4)	(0.9)	(30.1)	(0.9)
Net cost of benefit plans	4	18.3	23.0	59.0	68.9
Funding of defined benefit pension and other post-employment benefit plans	4	(36.5)	(27.9)	(95.3)	(83.4)
Non-controlling interest		34.1	39.6	104.2	117.8
Financial derivatives loss	9, 11	-	-	13.3	-
Change in operating assets and liabilities		16.6	7.5	(50.2)	17.5
Other		(2.2)	(1.7)	(5.1)	(2.0)
		298.1	307.9	803.5	894.2
Cash from (used in) financing activities					
Repurchase of accounts receivable		-	-	-	(55.0)
Net proceeds (repayments) of short-term debt		(1.3)	14.1	(130.7)	28.4
Net proceeds (repayments) of notes payable to related party		(0.9)	1.2	(3.9)	0.4
Proceeds of long-term debt		-	-	348.6	50.0
Repayment of long-term debt		(0.9)	(0.7)	(152.0)	(51.9)
Repayment of capital lease obligations		(2.4)	(1.5)	(6.0)	(5.2)
Net settlement of financial derivatives	9	-	-	(15.4)	-
Distributions paid by subsidiaries to non-controlling interest		(52.4)	(52.4)	(157.1)	(160.6)
Distributions paid		(114.0)	(113.8)	(341.9)	(333.2)
		(171.9)	(153.1)	(458.4)	(527.1)
Cash from (used in) investing activities					
Purchase of capital investments		(114.7)	(138.2)	(343.7)	(359.9)
Proceeds on sale of capital investments		0.1	0.2	1.8	1.9
Business acquisition, net of cash received		-	(0.3)	-	(28.1)
		(114.6)	(138.3)	(341.9)	(386.1)
Net increase (decrease) in cash from continuing operations		11.6	16.5	3.2	(19.0)
Net increase (decrease) in cash from discontinued operations	2	0.3	(0.5)	9.6	(4.2)
Cash and cash equivalents, beginning of period		15.5	8.9	14.6	48.1
Cash and cash equivalents, end of period		\$ 27.4	\$ 24.9	\$ 27.4	\$ 24.9
Supplementary disclosure					
Cash and cash equivalents, end of period					
Cash				\$ 6.3	\$ 24.0
Cash equivalents				21.1	0.9
				\$ 27.4	\$ 24.9
Interest paid		\$ 66.3	\$ 64.3	\$ 137.6	\$ 138.6
Income taxes paid (recovered), net		\$ 0.3	\$ (2.8)	\$ 1.0	\$ (5.1)

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
September 30, 2009

Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP) was established in 2006 under the laws of the Province of Quebec, and holds the operating companies of Bell Aliant Regional Communications Income Fund (the Fund). All references to “we”, “us” or “our” refer to Bell Aliant Holdings LP and its subsidiaries.

Our operations are primarily focused on regional telecommunications services in Atlantic Canada, Quebec and Ontario. We provide a wide range of innovative and traditional voice and data communications services as well as information technology (IT) consulting, infrastructure management, product fulfillment and advanced technology solutions. We provide these services through our principal operating subsidiaries which include Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP), Télébec, Limited Partnership (Télébec), and NorthernTel, Limited Partnership (NorthernTel).

1. SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

We have prepared these unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP) using the same basis of presentation and accounting policies as our audited consolidated financial statements for the year ended December 31, 2008, with the exception of the adoption of a new accounting policy discussed below. These unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2008.

Goodwill and intangible assets

Commencing January 1, 2009, we adopted Section 3064, Goodwill and intangible assets, issued by the Canadian Institute of Chartered Accountants (CICA), which provides guidance on the measurement, recognition, presentation and disclosure of these items. The adoption of this Section did not have a material effect on our operations or financial reporting.

Future changes in accounting policies

The Accounting Standards Board of the CICA continually amends certain standards or guidelines contained in the CICA Handbook. We monitor these changes as they are proposed and make changes to our accounting policies and disclosures as necessary.

Business combinations, Consolidated financial statements, and Non-controlling interests

The CICA issued Section 1582, Business combinations, concurrently with Sections 1601, Consolidated financial statements, and 1602, Non-controlling interests. Section 1582, which replaced Section 1581, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which replaced Section 1600, carries forward the existing guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition, except for those dealing with non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. The new standards apply to interim and annual financial statements for fiscal years beginning on or after January 1, 2011, with early adoption permitted. We are currently assessing the effect of the new standards on our consolidated financial statements.

Comparative figures

Certain comparative financial information has been reclassified to be consistent with the presentation adopted for 2009 related to discontinued operations, as discussed in note 2.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
September 30, 2009

2. DISCONTINUED OPERATIONS

Innovatia Inc. (Innovatia)

On September 30, 2009, Bell Aliant Holdings LP entered into a share purchase agreement under which the current senior leaders of Innovatia will acquire 100 per cent of the outstanding shares of Innovatia. As a result, we have reclassified the results of Innovatia's operations as discontinued operations. Accordingly, prior period consolidated statements of earnings and cash flows have been reclassified to reflect this change and the net assets have been reclassified as discontinued operations on the consolidated balance sheet as at September 30, 2009. The transaction closed on November 1, 2009, with \$1.5 million of proceeds on closing.

xwave New England Corp. (xwave NE)

On June 1, 2009, Bell Aliant Holdings LP and Abilis Solutions Inc. (Abilis) concluded a share purchase agreement for Abilis to acquire 100 per cent of the outstanding shares of xwave NE. Accordingly, during the second quarter of 2009, we reclassified the results of the xwave NE operations as discontinued operations and restated prior period consolidated statements of earnings and cash flows to reflect this change. The proceeds on closing were \$4.9 million, resulting in a \$2.9 million loss recognized in net loss from discontinued operations.

Defence, Security and Aerospace (DSA) business

In 2008, Bell Aliant Holdings LP and CAE Professional Services (Canada) Inc. (CAE) entered into an asset purchase agreement for CAE to acquire our DSA business, which operated under the xwave brand. The transaction closed on May 1, 2009. The proceeds on closing were \$16.3 million in cash and \$7.6 million in a receivable from CAE related to post-closing balance sheet adjustments. An additional \$8.5 million of proceeds is contingent upon the occurrence of certain future events, including the award of or resumption of work related to certain contracts, for potential total proceeds of \$32.4 million. A gain on sale of \$1.9 million, which is net of \$3.9 million allocated goodwill (note 5), has been recorded in net loss from discontinued operations.

Atlantic Mobility Products Limited Partnership (AMP)

Effective July 4, 2008, Bell Canada discontinued using AMP as their exclusive distributor of mobility products in Atlantic Canada, which resulted in the elimination of our mobility hardware and accessories wholesale distribution business.

Presentation of discontinued operations

The net assets of Innovatia are presented in the consolidated balance sheet as at September 30, 2009, as assets and liabilities of discontinued operations at their carrying amounts. The following table shows the major categories of the assets and liabilities of the discontinued operations:

<i>(millions of dollars)</i>	As at September 30, 2009	
Current assets of discontinued operations		
Cash and cash equivalents	\$	2.1
Non-current assets of discontinued operations		
Future income tax asset	\$	1.5
Current liabilities of discontinued operations		
Payables and accruals	\$	1.9
Non-current liabilities of discontinued operations		
Future income tax liability	\$	0.2

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
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2. DISCONTINUED OPERATIONS (Continued)

The summarized statements of earnings for the discontinued operations are as follows:

For the three months ended September 30 <i>(millions of dollars)</i>	2009				2008				
	Innovatia	DSA	xwave NE	Total	Innovatia	DSA	xwave NE	AMP	Total
Operating revenues	\$ 5.1	\$ -	\$ -	\$ 5.1	\$ 5.7	\$ 6.2	\$ 3.0	\$ 4.6	\$ 19.5
Expenses	5.2	0.2	-	5.4	5.8	5.7	5.0	4.6	21.1
Write-down of net assets	6.1	-	-	6.1	-	-	-	-	-
Loss on sale	-	(0.1)	(0.3)	(0.4)	-	-	-	-	-
Income tax expense (recovery)	0.2	-	-	0.2	(0.1)	0.1	-	-	-
Net earnings (loss) from discontinued operations	\$ (6.4)	\$ (0.3)	\$ (0.3)	\$ (7.0)	\$ 0.0	\$ 0.4	\$ (2.0)	\$ -	\$ (1.6)

For the nine months ended September 30 <i>(millions of dollars)</i>	2009				2008				
	Innovatia	DSA	xwave NE	Total	Innovatia	DSA	xwave NE	AMP	Total
Operating revenues	\$ 15.8	\$ 9.0	\$ 5.6	\$ 30.4	\$ 17.8	\$ 20.6	\$ 7.9	\$ 47.7	\$ 94.0
Expenses	18.8	9.7	7.9	36.4	18.6	19.4	10.4	44.5	92.9
Write-down of goodwill	-	-	-	-	-	-	-	11.2	11.2
Write-down of net assets	6.1	-	-	6.1	-	-	-	-	-
Gain (loss) on sale	-	1.9	(2.9)	(1.0)	-	-	-	-	-
Income tax expense	0.6	0.6	-	1.2	0.2	0.3	-	2.8	3.3
Net earnings (loss) from discontinued operations	\$ (9.7)	\$ 0.6	\$ (5.2)	\$ (14.3)	\$ (1.0)	\$ 0.9	\$ (2.5)	\$ (10.8)	\$ (13.4)

The summarized statements of cash flows for the discontinued operations are as follows:

For the three months ended September 30 <i>(millions of dollars)</i>	2009				2008				
	Innovatia	DSA	xwave NE	Total	Innovatia	DSA	xwave NE	AMP	Total
Cash from (used in):									
Operating activities	\$ (1.2)	\$ (0.3)	\$ (0.1)	\$ (1.6)	\$ 2.6	\$ (2.8)	\$ 0.3	\$ -	\$ 0.1
Investing activities	(0.3)	-	2.2	1.9	(0.6)	-	-	-	(0.6)
Net increase (decrease) in cash from discontinued operations	\$ (1.5)	\$ (0.3)	\$ 2.1	\$ 0.3	\$ 2.0	\$ (2.8)	\$ 0.3	\$ -	\$ (0.5)

For the nine months ended September 30 <i>(millions of dollars)</i>	2009				2008				
	Innovatia	DSA	xwave NE	Total	Innovatia	DSA	xwave NE	AMP	Total
Cash from (used in):									
Operating activities	\$ 1.1	\$ (7.3)	\$ (4.6)	\$ (10.8)	\$ 0.7	\$ (6.8)	\$ 0.5	\$ 3.3	\$ (2.3)
Financing activities	-	-	-	-	(0.4)	-	-	-	(0.4)
Investing activities	(0.8)	16.3	4.9	20.4	(1.5)	-	-	-	(1.5)
Net increase (decrease) in cash from discontinued operations	\$ 0.3	\$ 9.0	\$ 0.3	\$ 9.6	\$ (1.2)	\$ (6.8)	\$ 0.5	\$ 3.3	\$ (4.2)

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
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3. FINITE-LIFE INTANGIBLES

During the nine months ended September 30, 2009, the cost of acquired finite-life intangibles was \$15.4 million (September 30, 2008 – \$13.2 million), and the cost of internally developed finite-life intangibles was \$28.4 million (September 30, 2008 – \$33.7 million). In the first nine months of 2008, we also acquired \$181.9 million in finite-life intangibles related to the transfer by the Fund of their 36.7 per cent interest in Télébec and NorthernTel to us.

4. POST-EMPLOYMENT BENEFITS

Accrued benefit asset (liability)

The following table shows the status of the defined benefit (DB) pension and other post employment benefit (OPEB) plans and changes during the period.

<i>(millions of dollars)</i>	DB pension plans	OPEB plans	Total
Accrued benefit asset (liability) as at December 31, 2008	\$ 199.5	\$ (222.5)	\$ (23.0)
Net cost of benefit plans	(54.5)	(4.5)	(59.0)
Contributions	89.3	6.0	95.3
Accrued benefit asset (liability) as at September 30, 2009	\$ 234.3	\$ (221.0)	\$ 13.3
Accrued benefit asset	\$ 410.9	\$ -	\$ 410.9
Accrued benefit liability	(176.6)	(221.0)	(397.6)
	\$ 234.3	\$ (221.0)	\$ 13.3

Net cost of benefit plans

The following table shows the net cost of DB pension and OPEB plans.

<i>(millions of dollars)</i>	Three months		Nine months	
For the period ended September 30	2009	2008	2009	2008
<i>DB pension plans</i>				
Current service cost	\$ 10.3	\$ 15.6	\$ 33.7	\$ 46.6
Interest on the accrued benefit obligation	39.6	40.3	119.5	120.8
Expected return on plan assets	(38.5)	(39.9)	(115.6)	(119.6)
Amortization of deferred amounts:				
Past service costs	1.4	1.3	4.1	4.1
Net actuarial losses	4.0	4.0	12.8	11.8
	\$ 16.8	\$ 21.3	\$ 54.5	\$ 63.7
<i>OPEB plans</i>				
Current service cost	\$ 0.4	\$ 0.5	\$ 1.3	\$ 1.6
Interest on the accrued benefit obligation	2.7	2.8	8.1	8.4
Amortization of deferred amounts:				
Past service costs	(2.0)	(2.1)	(6.1)	(6.1)
Net actuarial losses	0.4	0.5	1.2	1.3
	\$ 1.5	\$ 1.7	\$ 4.5	\$ 5.2
Total net cost of DB pension and OPEB plans	\$ 18.3	\$ 23.0	\$ 59.0	\$ 68.9

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
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4. POST-EMPLOYMENT BENEFITS (Continued)

Benefit plan contributions

Our contributions to DB and defined contribution (DC) pension plans as well as OPEB plans are as follows:

For the period ended September 30 <i>(millions of dollars)</i>	Three months		Nine months	
	2009	2008	2009	2008
DB pension plans contributions	\$ 34.3	\$ 25.9	\$ 89.3	\$ 78.0
OPEB plans contributions	2.2	2.0	6.0	5.4
Funding of DB pension and OPEB plans	\$ 36.5	\$ 27.9	\$ 95.3	\$ 83.4
DC pension plans contributions	1.7	2.1	5.7	5.8
Total contributions	\$ 38.2	\$ 30.0	\$ 101.0	\$ 89.2

5. GOODWILL

<i>(millions of dollars)</i>	
Goodwill as at December 31, 2008	\$ 2,766.6
Disposal of DSA business (note 2)	(3.9)
Change in estimate of the value of the long-term receivable from Bell Canada	5.6
Goodwill as at September 30, 2009	\$ 2,768.3

During the third quarter of 2009, we completed discussions with Bell Canada on the value of an estimated long-term receivable to be paid to us in relation to contingent consideration on the acquisition of Bell Canada's wireline operation in Ontario and Quebec. The contingent consideration relates to the effect of a 2006 CRTC decision on our operating revenues, which required Bell Canada to reduce rates charged for services in certain regions, some of which affected customer accounts that we acquired. The CRTC issued its final decision on the rate reductions in September 2009, and the final value of the contingent consideration was determined. As a result, we decreased the estimated long-term receivable by \$5.6 million and increased goodwill accordingly.

6. RESTRUCTURING AND OTHER CHARGES

Restructuring charges

In March 2009, we offered a voluntary retirement incentive to a limited number of our unionized employees in Atlantic Canada. In May 2009, we extended the offer to a limited number of our unionized employees in Ontario and Quebec. In October 2009, we announced a plan to consolidate certain contact centres in Atlantic Canada. Unionized employees based in the affected contact centres were offered relocation to the remaining contact centres. At September 30, 2009, we estimated the cost of implementing this plan and recorded a liability for severance and other costs. As a result, during the three and nine months ended September 30, 2009, we estimated and recorded a pre-tax restructuring charge of \$13.0 million and \$24.9 million, respectively, in employee severance and related costs, which will be paid as employees retire or leave the organization, and real estate rationalization costs.

During 2008, we recorded pre-tax restructuring and other charges of \$60.3 million related to our continued organizational productivity initiatives and the departure of senior executives. The charge included \$59.4 million of severance and benefit costs, \$6.5 million of real estate rationalization costs, and a \$5.6 million reduction to the estimated cost of the 2007 restructuring liability to reflect its final costs.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
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6. RESTRUCTURING AND OTHER CHARGES (Continued)

The liability included in payables and accruals for restructuring and other charges is as follows:

<i>(millions of dollars)</i>		
Restructuring charge liability as at December 31, 2008	\$	65.1
Restructuring charges:		
Employee severance and related costs related to continuing operations		24.0
Real estate rationalization costs		0.9
		24.9
Cash payments		(58.1)
Restructuring charge liability as at September 30, 2009	\$	31.9

As at September 30, 2009, the restructuring charge liability included \$9.0 million in real estate rationalization costs, of which \$4.0 million are included in other long-term liabilities as they will be drawn down after September 2010.

Other charges

During the three and nine months ended September 30, 2009, we incurred \$0.8 million and \$1.7 million, respectively, of other charges, which mainly relate to rebranding for our operations.

7. SHORT-TERM DEBT

During the nine months ended September 30, 2009, we have decreased the amounts available for use under various operating credit facilities by \$45.6 million to \$1,139.5 million as follows:

- Dedicated letter of credit facilities supporting contracts that were transferred as part of the sale of the DSA business (note 2), were decreased by \$45.8 million;
- The non-revolving pension reserve facility was decreased by \$2.4 million when letters of credit supporting the 10-year solvency funding schedule of certain of our pension plans were reduced; and
- The uncommitted lines of credit were increased by \$2.6 million.

Amounts drawn under operating facilities are as follows:

<i>(millions of dollars)</i>	As at		As at
	September 30, 2009		December 31, 2008
Drawn amounts:			
Non-revolving pension reserve facility	\$	40.0	\$ 15.0
Commercial paper program		37.5	-
Revolving operating facilities		-	193.0
Other		-	0.2
	\$	77.5	\$ 208.2

In May 2009, we repaid \$250.0 million of Bankers' Acceptance advances that were outstanding under our revolving operating facilities through proceeds from the issuance of medium-term notes (note 8).

Bankers' Acceptance advances of \$40.0 million outstanding under our non-revolving pension reserve facility bear interest at rates of 0.92 per cent per annum and mature on November 2, 2009.

We ensure at all times that sufficient undrawn capacity exists on our revolving operating facilities to support issuances of commercial paper. Short-term promissory notes issued under our commercial paper program bear interest at a rate of 0.5 per cent per annum and mature on October 28, 2009.

8. LONG-TERM DEBT

In May 2009, we issued \$350.0 million of unsecured medium-term notes, bearing interest at 6.29 per cent per annum and maturing on February 17, 2015. Debt issue costs of \$1.2 million were incurred and the notes were issued at a discount to provide net proceeds of \$348.6 million. Proceeds were used to repay \$250.0 million outstanding under the revolving operating facilities (note 7) and a \$100.0 million non-revolving term loan that was scheduled to mature in July 2009.

In addition to normal repayments of long-term debt, we repaid a \$50.0 million non-revolving term bank loan facility in the second quarter of 2009, that was established in the second quarter of 2008.

During the nine months ended September 30, 2009, we entered into capital lease obligations totalling \$13.1 million for telecommunications and other equipment which bear interest at rates ranging from 4.41 per cent to 5.73 per cent per annum.

9. FINANCIAL INSTRUMENTS

Derivative financial instruments

In May 2009, we settled our outstanding fixed-floating interest rate swaps with notional principal values totalling \$250.0 million when the hedged variable interest debt was repaid upon the issuance of fixed-rate medium-term notes, as further detailed in notes 7 and 8. We paid \$15.4 million to the counterparties on the settlement of the swaps, which included \$2.1 million in accrued interest. As the hedged variable interest debt was repaid, hedge accounting was discontinued and net losses of \$13.3 million that were previously recognized in other comprehensive earnings (losses) were reclassified to other expenses in the statement of earnings, as discussed in note 11.

Fair value of financial instruments

The carrying value of all financial instruments approximate fair value with the exception of long-term debt and the amount due within one year, which at September 30, 2009, has a carrying value of \$2,772.6 million and a fair value of \$2,857.1 million (December 31, 2008 – \$2,568.7 million and \$2,318.3 million, respectively).

10. UNIT-BASED COMPENSATION PLANS

Employee unit purchase plans

The total number of Fund units bought on the open market for our employee unit purchase plans during the three and nine months ended September 30, 2009, was 441,292 and 1,551,011, respectively (September 30, 2008 – 454,647 and 1,373,684, respectively). Compensation expense related to the employee unit purchase plans of \$2.1 million and \$6.9 million, respectively, was recorded for the three and nine months ended September 30, 2009 (September 30, 2008 – \$2.5 million and \$7.1 million, respectively).

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10. UNIT-BASED COMPENSATION PLANS (Continued)

Deferred unit plan

A summary of the status of the deferred units and changes during the period are as follows:

For the nine months ended September 30	2009	2008
Deferred units outstanding, beginning of period	1,181,958	794,980
Granted:		
May 2008 - Service period fiscal 2008 to 2010	-	412,163
February 2009 - Service period fiscal 2009 to 2011	350,492	-
Reinvested distributions during the period	97,934	72,848
	448,426	485,011
Forfeited	(66,501)	(71,051)
Exercised	(273,238)	(32,883)
Deferred units outstanding, end of period	1,290,645	1,176,057
Deferred units vested, end of period	431,871	365,800

The grant-date fair value of the 448,426 deferred units granted in the nine months ended September 30, 2009, totals \$11.7 million (September 30, 2008 – 485,011 deferred units granted totals \$14.5 million). For the three and nine months ended September 30, 2009, we recorded compensation expense of \$3.7 million and \$5.9 million, respectively (September 30, 2008 – \$3.2 million and \$9.8 million, respectively), related to the deferred units' costs, recognized over the vesting period, and the change in the quoted market price of the Fund units between the grant date and the reporting period date.

11. OTHER COMPREHENSIVE EARNINGS

Components of other comprehensive earnings and the related income tax effects are as follows:

For the three months ended September 30	2009			2008		
(millions of dollars)	Amount arising	Income taxes	Net	Amount arising	Income taxes	Net
Losses on derivatives designated as cash flow hedges	\$ -	\$ -	\$ -	\$ (1.8)	\$ (0.4)	\$ (1.4)
Reclassification to interest charges	1.2	0.3	0.9	1.2	0.3	0.9
Other comprehensive earnings	\$ 1.2	\$ 0.3	\$ 0.9	\$ (0.6)	\$ (0.1)	\$ (0.5)

For the nine months ended September 30	2009			2008		
(millions of dollars)	Amount arising	Income taxes	Net	Amount arising	Income taxes	Net
Losses on derivatives designated as cash flow hedges	\$ (0.1)	\$ (0.1)	\$ -	\$ (4.0)	\$ (0.8)	\$ (3.2)
Reclassification to other expense	13.3	0.4	12.9	-	-	-
Reclassification to interest charges	5.7	3.9	1.8	3.4	0.7	2.7
Other comprehensive earnings	\$ 18.9	\$ 4.2	\$ 14.7	\$ (0.6)	\$ (0.1)	\$ (0.5)

In May 2009, we reclassified to net earnings \$15.4 million in net losses related to the cash flow hedges that were settled, comprised of \$13.3 million loss on settlement and \$2.1 million interest charges. Hedge accounting no longer applies to these hedges, as discussed in note 9.

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11. OTHER COMPREHENSIVE EARNINGS (Continued)

We also reclassified to net earnings the amortization of losses on forward fixed-floating interest rate swaps that were settled in 2007. These interest rate swaps were designated to hedge the coupon payments of anticipated long-term debt issuances, and the interest rate swaps were settled as the anticipated long-term debt issuances occurred. As such, the losses are being amortized as interest charges in conjunction with the long-term debt coupon payments in the year, in accordance with the application of hedge accounting.

As at September 30, 2009, the accumulated other comprehensive loss of \$28.0 million (September 30, 2008 - \$37.7 million) represents the unamortized portion of losses on forward fixed-floating interest rate swaps that were settled in 2007.

12. COMMITMENTS

Operating leases and purchase commitments

The estimated future minimum lease payments under operating leases and purchase commitments are as follows:

<i>(millions of dollars)</i>	Remainder of					
	2009	2010	2011	2012	2013	Thereafter
Operating leases	\$ 10.6	\$ 37.0	\$ 34.3	\$ 32.3	\$ 32.5	\$ 323.8
Purchase commitments	95.4	328.7	315.2	308.4	296.2	2,179.8
	\$ 106.0	\$ 365.7	\$ 349.5	\$ 340.7	\$ 328.7	\$ 2,503.6

Deferral account

Bell Canada's deferral account includes amounts that arose in relation to customers located in what is now our territory in Ontario and Quebec. On September 25, 2008, the Supreme Court of Canada approved the leave to appeal applications filed by each of Bell Canada, certain consumer groups and a competitor. The Supreme Court of Canada subsequently heard the appeals on March 26, 2009, and in a decision issued September 18, 2009, dismissed both appeals. As such, the Supreme Court of Canada confirmed that the CRTC has the legal authority to order that deferral account funds be used for both broadband expansion and returns to customers.

In light of the Supreme Court of Canada ruling, Bell Canada recorded \$152.0 million in restructuring and other charges in September 2009, to reflect its current estimate of the remaining amount of its deferral account commitment. The allocation of this amount between returns to customers and additional broadband expansion has not yet been determined. We are unable to estimate the effect of the CRTC's decision at this time. The returns to customers may impact the customers in our territory, but will not affect our financial results.

13. CONTINGENCIES

System Access Fee Class Action

On July 24, 2009, a new class action suit was filed in Saskatchewan that was very similar to the existing certified claim filed in 2004 against several Canadian wireless and cellular service providers, including one of our predecessor companies, Aliant Telecom Inc. These actions relate to the system access fees charged by those service providers, as described in note 22 of our consolidated financial statements for the year ended December 31, 2008. On July 27, 2009, the plaintiffs in the certified action filed a motion to discontinue that certified claim. The defendants have challenged the new court action as an abuse of process and have filed motions seeking its dismissal. The defendants have also challenged the motion to discontinue the certified claim, as they have sought leave to appeal that certification to the Saskatchewan Court of Appeal, where the legal basis for the certification would be examined. These new motions are scheduled for hearing in early December 2009. We have defences to these claims, but the outcome of the matter is not determinable at this time.

We become involved in various other claims and litigation as a regular part of our business. While we cannot predict the final outcome of claims and litigation that were pending at September 30, 2009, management believes that the resolution of these claims and litigation will not have a material effect on our consolidated financial position or results of operations.

14. RELATED PARTY TRANSACTIONS

The Fund is entirely dependent on the distributions we pay to them to make their distributions. For the three and nine months ended September 30, 2009, we declared distributions to them of \$93.4 million and \$280.5 million, respectively (September 30, 2008 – \$93.3 million and \$279.4 million, respectively). At September 30, 2009, \$31.1 million was included in distributions payable (December 31, 2008 – \$31.2 million).

The Fund loans us their excess cash through a series of promissory notes. The Fund requests repayments as required for operating purposes. The \$6.2 million promissory note that was payable to the Fund at December 31, 2008, was repaid on January 15, 2009. Subsequently issued promissory notes carried rates of interest from 0.49 per cent to 1.81 per cent per annum, resulting in an immaterial amount of interest expense being incurred during the nine months ended September 30, 2009 (nine months ended September 30, 2008 – \$0.1 million). At September 30, 2009, we had a net payable of \$2.2 million in promissory notes to the Fund, bearing interest at rates ranging from 0.50 per cent to 1.05 per cent per annum and maturing on October 15, 2009.