

STRATEGIC PARTNERSHIP AGREEMENT

THIS AGREEMENT is entered into as of the Effective Date.

BETWEEN:

**THE GOVERNMENT OF PRINCE EDWARD
ISLAND**

(the "Province")

AND:

**BELL ALIANT REGIONAL COMMUNICATIONS
L.P., an entity with operations in the Province of
Prince Edward Island**

("Bell Aliant")

WHEREAS the Parties wish to enter into a strategic partnership, as described in this Agreement, and Bell Aliant wishes to implement broadband services to unserved and underserved residents of the Communities as specified in Schedule A of this Agreement;

AND WHEREAS the Province wishes Bell Aliant to implement broadband services to unserved and underserved residents of the Communities as specified in Schedule A of this Agreement;

AND WHEREAS the Province wishes, as partial consideration for the Project, to contract with Bell Aliant for the provisioning of all local access services required by the Province for the duration of this Agreement, as per the terms of Schedule B of this Agreement;

AND WHEREAS the Province and Bell Aliant wish to create, jointly contribute to, and manage, an Innovation Fund, in accordance with the terms set out in Schedule C of this Agreement;

NOW THIS AGREEMENT WITNESSES THAT in consideration of the mutual covenants contained in this Agreement, along with other good and valuable consideration, the parties agree as follows:

1.0 THE AGREEMENT

1.1 Entire Agreement

This Agreement constitutes the complete and exclusive agreement between the parties with respect to i) the construction and deployment of the Project Broadband Network and the implementation of Broadband services in the Territory; ii) the provision of Local Access services, subject to the terms of the agreements under which such services are provided in accordance to; and (iii) the contribution to and management of an Innovation Fund between the parties for the duration of this Agreement. This Agreement supersedes and replaces any and all prior agreements, communications and understandings, both written and oral, regarding this subject matter, except as referenced in this Agreement. There are no other warranties, agreements or representations between the parties.

1.2 Definitions

For the purposes of this Agreement:

- (a) **“Agreement”** means this Agreement, schedules and annexes, including:
 Schedule A – Rural Broadband Project;
 Schedule B – Local Access Services;
 Schedule C – Innovation Fund;
 Schedule D – Other Potential Opportunities
- (b) **“Broadband”** means that high-capacity two-way internet link between an end user in the Territory and the Project Broadband Network;
- (c) **“Communities”** means the communities listed in Schedule A, Appendix B or the portion of those Communities to which Broadband services shall be provided pursuant to the Project;
- (d) **“CRTC”** means the Canada Radio-television and Telecommunications Commission or any successor body exercising similar jurisdiction;
- (e) **“Detailed Project Description”** means the description of the Project components, attached as Schedule A, Appendix A;
- (f) **“Effective Date”** means December 1, 2008;
- (g) **“Innovation Fund”** means the parties joint investment and management of a fund set up for the purpose of encouraging and supporting Innovation in communication technology in the Province of Prince Edward Island, as more fully described in Schedule C;
- (h) **“Local Access”** means the telecommunication services used to provide basic telephone functionality and service, as more fully described in Schedule B;
- (i) **“Project”** means all the activities related to the provision of Broadband services to the Communities described in this Agreement, as more fully described in Schedule A;
- (j) **“Project Broadband Network”** means that portion of Bell Aliant’s broadband network constructed or deployed pursuant to this Agreement;
- (k) **“Territory”** means the area comprising the group of Communities to which Broadband services shall be provided pursuant to this Agreement, as more fully described in Schedule A, Appendix B;

1.3 Conflicts

In case of conflict between provisions of this Agreement, and the Schedules, the order of precedence shall be the following:

- (a) CRTC Tariffs, where applicable
 (b) this Agreement;
 (b) the Schedules; and
 (f) any other document incorporated by reference.

2.0 TERM OF AGREEMENT

2.1 **Effective Date**

This executed Agreement shall become effective as of the Effective Date, and unless otherwise terminated in accordance with the terms of this Agreement, and subject to Clause 2.2, shall remain in effect until December 31st, 2013 (the "Term"). Each Schedule may have a term that is different than the Term, if explicitly referenced. If not reference to a separate term exists, the Schedule shall be deemed to be co-terminous with the Agreement. This Agreement, and each applicable Schedule, may be renewed, upon the parties reaching agreement no less than 30 days before the expiry of the Term, for a period equal to the length of the Term (the "Renewal Term").

2.2 **Survival Clause**

Article 6, Article 7, Article 9, Article 10, Article 11, Article 12, Article 13 and Article 16 shall survive any termination of this Agreement.

3.0 **THE PROJECT**

3.1 Bell Aliant shall complete all work as set out in Schedule A related to the Project, as may be amended from time to time upon the mutual written consent of the parties, such consent not to be unreasonably withheld.

4.0 **LOCAL ACCESS**

4.1 **Bell Aliant's Obligation**

Bell Aliant shall provide all Local Access services required by the Province in accordance with the terms set out in any existing or future agreements between the parties, as referenced in Schedule B, as may be amended from time to time upon the mutual written consent of the parties, such consent not to be unreasonably withheld.

4.2 **Province's Obligation**

The Province shall procure all Local Access services, at a minimum of the number of Local Access lines required on the Effective Date, from Bell Aliant, and shall meet all payment obligations owed in relation to the Local Access services, as set out in any existing or future agreements between the parties referenced in Schedule B, as may be amended from time to time upon the mutual written consent of the parties, such consent not to be unreasonably withheld.

5.0 **INNOVATION FUND**

5.1 **Bell Aliant's Obligation**

Bell Aliant shall contribute to, and co-manage with the Province, the Innovation Fund, as set out in Schedule C.

5.2 **Province's Obligation**

The Province shall contribute to, and co-manage with Bell Aliant, the Innovation Fund, as set out in Schedule C.

6.0 **LIMITED WARRANTY**

6.1 In relation to services provided by Bell Aliant under Schedule A, Bell Aliant warrants that services shall be performed in a professional, workmanlike manner, with the degree of skill and care that is required by current and sound professional procedures and practices and in conformance with generally accepted industry standards in effect at the time of performance.

6.2 Bell Aliant make no other warranties, representations or conditions of any nature whatsoever, either express or implied, including, without limitation, any warranty, representation or condition of fitness for a particular purpose or merchantability with respect to the services provided under this Agreement, except as explicitly set out herein, and all other warranties, representations and conditions, express or implied, are hereby excluded.

7.0 LIABILITIES

7.1 Damage to a Party

Unless a claim or demand arises from the negligence of the other party, each party shall bear its own losses for injuries to or the death of its employees, for damage to its property and for any other damages or injuries incurred by it as a result of the activities contemplated under this Agreement.

Liabilities of each party in relation to the various Schedules are set out in the applicable Schedule.

7.2 Damage to Third Parties

Whenever any liability is incurred by either or both of the parties for injuries to, or death of any third parties, for damage to any property of a third party or for any other damages or injuries arising to a third party out of the activities contemplated under this Agreement, the liability for such damages, as between the parties, shall be as follows:

- (a) each party shall be wholly liable for all losses caused solely by its negligence; and
- (b) each party shall be liable for all losses caused by the negligence of both parties in the same proportion that its negligence contributed to the losses.

7.3 Incidental Damages

Neither party shall be responsible for indirect, incidental, consequential or punitive damages of any kind including, without limitation, damages for lost profits or other monetary losses arising during or after the completion of the Project, including the performance or failure of the Project Broadband Network or Broadband services, or the management of the Innovation Fund, whether or not such matters or causes are within either party's control or due to negligence or fault on the part of either party.

7.4 Any damages, claims or liabilities arising from the provision or receipt of Local Access services shall be addressed in accordance with the terms of the applicable CRTC tariffs or the specific agreements between the parties for those services.

8.0 PAYMENT

8.1 Funding

The parties agree to provide the funding for the Innovation Fund in accordance with the terms set out in Schedule C.

8.2 Payments for Services

The Province shall pay for the Local Access services in accordance with the terms of the applicable CRTC tariffs or the specific agreements between the parties relating to those services.

8.3 Taxes

Any prices quoted to the Province will be exclusive of Sales and Use Taxes. The Province shall pay to Bell Aliant all Sales and Use Taxes required to be paid in connection with the Services. The invoice shall separately identify and set out the amount of each of the Sales and Use Taxes Bell Aliant is charging and collecting. If Bell Aliant charges the goods and services tax, its invoices shall set out and contain all information prescribed and required under the Excise Tax Act (Canada) and the Input Tax Credit Information Regulations.

Bell Aliant warrants its GST Number is 86014 7925 RT.

To the extent, equipment and services purchased are in a Province that levies retail sales tax, Bell Aliant will separately identify taxable from non taxable items and levy the appropriate retail sales tax.

The Province shall pay all applicable Sales and Use Taxes invoiced by Bell Aliant.

“Sale and Use Taxes” means all commodity taxes, including but not limited to, all sales, retail, use, goods and services, value added, excise and similar taxes imposed, levied or assessed by any Government Authority now in force or enacted in the future including penalties and interest, other than taxes in the nature of a tax on income or capital.

9.0 DEFAULT, TERMINATION AND REMEDIES

9.1 Events of Default

An event of default has occurred under this Agreement if:

- (a) either party becomes insolvent or is adjudged or declared bankrupt or if either party goes into receivership or takes the benefit of any statute from time to time in force relating to bankrupt or insolvent debtors;
- (b) an order is made which is not being contested or appealed by either party or a resolution is passed for the winding up of either party or either is dissolved;
- (c) any term, condition or undertaking in this Agreement is not complied with in any material respect and any such defect has not been cured by or remedied by the party in non-compliance within a reasonable period of time, but no later than ninety (90) days of written notice of such defect having been provided to that party;
- (d) the Province neglects or fails to pay Bell Aliant any amount due in accordance with this Agreement;

9.2 Remedies

In the event of a default of this Agreement, in addition to all other remedies provided under contract law and as set out in the applicable Schedule, the party not in default may suspend or terminate its performance of any obligation as set-out in this Agreement.

9.3 No Waiver

The fact that either party refrains from exercising a remedy that it is entitled to exercise under this Agreement shall not constitute a waiver of such right and any partial exercise of a right shall not prevent the party in any way from later exercising any other right or remedy under this Agreement or other applicable law.

10.0 PUBLICITY AND PROMOTION

10.1 Requirements

The parties agree that no announcements shall be made, referencing this Agreement of the subject matter thereof, until the parties mutually agree upon the timing and content of such announcement(s).

11.0 CONFIDENTIALITY

11.1 Proprietary Information

- (a) All information pertaining to matters under this Agreement, disclosed by either party (the "Disclosing Party") to the other party (the "Receiving Party"), whether before or after the execution of this Agreement, shall be deemed to be confidential and proprietary. The Receiving Party shall treat such confidential or proprietary information with at least the same degree of care that it uses to protect the disclosure of its own confidential information of like importance and agrees that:
 - (i) it shall hold that information in trust, and shall not disclose, show, demonstrate, reproduce or copy such information, or communicate it or any part of it to any other person for any other purpose except as strictly required for the Project or with the written consent of the Disclosing Party;
 - (ii) it shall advise its employees or agents of the obligations with respect to such information and shall be responsible to the Disclosing Party for the protection of that information;
 - (iii) it shall not use such information or circulate it within its own organization except as strictly required for the Project and then only for discussions and consultations with authorized representatives of the parties on a "need to know" basis; and
 - (iv) except as otherwise provided in this Agreement, from time to time and no later than upon the date of any termination of this Agreement, it shall take all necessary steps to destroy such information.
- (b) Except as otherwise provided in this Section 11.1, the Receiving Party shall have no obligation to preserve the proprietary or confidential nature of any information that it can reasonably prove on a balance of probabilities:

- (i) was previously known to it free of any obligation to keep confidential and free of any restriction on use or disclosure;
 - (ii) was independently developed by it or for it by a third party that is or was not under any obligation of confidentiality to the Disclosing Party;
 - (iii) has been published or is otherwise in the public domain without breach of any agreement with the Disclosing Party;
 - (iv) has or becomes publicly available by authorized disclosure by the Disclosing Party and without any restrictions on use or disclosure;
 - (v) is or was approved for release by written permission of the Disclosing Party; or
 - (vi) is disclosed when such disclosure is compelled pursuant to legal, judicial or administrative proceeding, or otherwise required by law, subject to the Receiving Party giving all reasonable prior notice to the Disclosing Party to allow it to seek protective or other court orders.
- (c) If the information specified in this Section at anytime becomes available or is likely to become available to third parties either as a result of the breach of the obligations specified in this Section or as a result of unauthorized or threatened disclosure by any employee or former employee of the Receiving Party, the Receiving Party shall immediately advise the Disclosing Party and take all necessary and reasonable steps to prevent the breach of confidentiality.
- (d) The Receiving Party recognizes and agrees that any breach of this Section may cause irreparable harm to the Disclosing Party and that monetary damages are an inadequate remedy for such breach. A breach or threatened breach of this Section by the Receiving Party may result in the Receiving Party being enjoined from in engaging in any activity prohibited by this Section by injunction issued by a court of competent jurisdiction along with having imposed upon it all other legal remedies available to the Disclosing Party.

11.2 Reporting and Audit Requirements

Notwithstanding any provision of this Agreement, Bell Aliant is not obliged to retain, provide, disclose or make available any details, data or information contained in any books, accounts, records or documents in any form whatsoever that Bell Aliant reasonably believes may contain information proprietary to it.

12.0 DISPUTE RESOLUTION

12.1 Methods

If a dispute arises concerning the application or interpretation of this Agreement, the parties shall first attempt to resolve the matter through good faith negotiation, and either party may, if the dispute is not resolved within twenty-one (21) days of it arising, refer the matter to arbitration in accordance with the *Prince Edward Island Arbitration Act*. The matter shall be submitted to a sole arbitrator agreed upon by the parties, or where the parties are unable to agree, the matter shall be referred to three arbitrators in which case each party shall appoint one arbitrator and the remaining arbitrator, who shall be chairman, shall be selected by the two arbitrators appointed by the parties. The costs of the arbitration, along with any requirement to pay interest on amounts

owing pursuant to this Agreement, shall be borne and paid in accordance with the decision of an arbitrator or arbitrators, as the case may be.

13.0 NOTICES

13.1 Notice Deemed Given

Any notice, information or document provided for under this Agreement shall be effectively given if delivered or sent by registered mail, email or facsimile, postage or other charges prepaid and shall be deemed to be received; (i) if hand delivered, at the time of delivery; (ii) if sent by registered mail, at the earliest of the time of delivery or eight (8) calendar days after mailing; (iii) if sent by facsimile, at the time of transmission; and (iv) if sent by email, at the time of receipt.

13.2 Change of Address

Either party may change the address that it has stipulated in this Agreement by notifying the other of the new address.

13.3 Addresses

Any notice to Bell Aliant shall be addressed to:

Todd Clark, Director of Business Development
 Bell Aliant
 69 Belvedere Avenue
 Charlottetown, PEI C1A 9K5
 Phone: (902) 892-3329
 Fax: (902) 569-8331
 Email: Todd.clark@aliant.ca

Any notice to the Province shall be addressed to:

Michael Mayne
 Deputy Minister, Innovation and Advanced Learning
 Province of Prince Edward Island
 PO Box 2000
 5th Floor, Shaw Building
 Charlottetown, PEI C1A 7N8

14.0 FORCE MAJEURE

14.1 Force Majeure

Where the performance by either of the parties or any of its respective duties and obligations, excluding obligations of payment, shall to any extent be prevented, restricted, delayed or interfered with by reason of war, revolution, terrorism, civil commotion or riot, acts of public enemies, blockade or embargo, any strike, lock out or other labour difficulty or work stoppage, any decision of a regulatory body or a court having jurisdiction, explosion, epidemic, fire, flood, freeze, severe weather conditions or any other similar cause, the party unable to perform its duties or obligations shall be excused from its performance of the same to the extent of the period of prevention, restriction, delay or interference, provided that the party so affected informs the other party as soon as is reasonable possible. The non-defaulting party may terminate this Agreement

upon thirty (30) days prior written notice should such condition continue for a period of more than sixty (60) days, unless such condition be cured during the thirty (30) day notice period.

15.0 MUTUAL REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

15.1 Each party represents and warrants to the other that:

- (a) it is duly registered, validly existing and in good standing under the laws of the Province of Prince Edward Island, and shall take all necessary action to maintain itself in good standing and preserve its legal capacity during the term of this Agreement;
- (b) has the power and authority to carry on its business, to hold property and to enter into this Agreement;
- (c) all activities performed by it under this Agreement comply with all applicable federal and provincial statutes and regulations;
- (d) it has neither made nor submitted any false or misleading information or representation to the other;
- (e) the signatories to this Agreement have been duly authorized to execute and deliver this Agreement on its behalf;
- (f) each of the execution, delivery and performance of this Agreement has been duly and validly authorized and when executed and delivered shall constitute a legal, valid and binding obligation on it enforceable in accordance with its terms; and
- (g) it is under no obligation or prohibition, nor is it subject to or threatened by any actions, suits or proceedings, that could or would prevent compliance with this Agreement, and each undertakes to advise the other forthwith of any such further occurrence during the terms of this Agreement.

16.0 GENERAL CONDITIONS

16.1 No Agency

Nothing in this Agreement, the parties' relationship or actions is intended to create, nor shall be construed as creating, a partnership, employment or agency relationship between them. Neither party is in any way authorized to make a promise, agreement or contract and to incur any liability on behalf of the other party, and should one party make a promise, agreement or contract and incur any liability on behalf of the other party, the party making the promise, agreement or contract or incurring any liability on behalf of the other party shall be solely responsible for any and all payments and deductions required by the applicable laws.

16.2 Assignment

Neither party may assign this Agreement or any part of this Agreement, nor any amount payable pursuant to this Agreement, without the prior written consent of the other party, such consent not to be unreasonably withheld. Notwithstanding the foregoing, an assignment to an entity that is controlled, directly or indirectly, by a party or its parent, or to an entity that controls the party, directly or indirectly, or to a purchaser of all, or substantially all of the assets required to meet the obligations of the applicable party under this Agreement shall be permitted without consent.

Written notice of such assignment shall be provided to the other party as soon as possible and no event later than fifteen (15) days after the notifying party becomes aware of such change of control.

16.3 Counterpart Signature

This Agreement may be signed in counterparts, each of which when taken together, shall constitute an original Agreement.

16.4 Successors

This Agreement is binding on the parties and their successors and permitted assigns.

16.5 Severability

Any provision of this Agreement prohibited by law or otherwise ineffective shall be ineffective only to the extent of such prohibition or ineffectiveness and shall be severable without invalidating or otherwise affecting the remaining provisions of this Agreement.

16.6 Legal Regime


This Agreement is made pursuant to the laws applicable in the Province of Prince Edward Island and the applicable laws of Canada.

16.7 Amendment

Amendments to this Agreement may only be made upon mutual written agreement of the parties.


IN WITNESS WHEREOF the parties have executed this Agreement as evidenced by their duly authorized officers in that behalf as of the 12th day of November, 2008.

**BELL ALIANT REGIONAL
COMMUNICATIONS L.P., by its
general partner, BELL ALIANT
REGIONAL COMMUNICATIONS INC.**



Bruce Howatt
Vice President - PEI

**THE GOVERNMENT OF PRINCE
EDWARD ISLAND**



Minister Richard Brown
Department of Innovation and Advanced
Learning

SCHEDULE A – RURAL BROADBAND PROJECT**2. THE PROJECT****a. Project Description**

Bell Aliant shall complete all work as set out in the Appendix A, the Detailed Project Description, as may be amended from time to time upon the mutual written consent of the parties, such consent not to be unreasonably withheld. The obligation for the costs of the Project shall be Bell Aliant's in its entirety.

b. Ownership of Infrastructure

- (i) Bell Aliant shall own and have custody of goods purchased for the Project Broadband Network and shall own each and every portion of the infrastructure, the Project Broadband Network, the Broadband technology and all other aspects of the Project relating to the construction of the Project Broadband Network and the provision of Broadband services in the Territory.
- (ii) As an incidence of ownership, upon the completion of the Project, Bell Aliant shall have the sole and exclusive authority to determine the manner in and the extent to which Broadband services that are provided by Bell Aliant directly, are provided in the Territory and, provided that the Province has met its obligations in accordance with this Agreement and subject to this Agreement, Bell Aliant shall:
 - (1) provide Broadband services at prevailing market rates in the Communities as those rates paid by other parts of Prince Edward Island for similar services with similar service levels, while not restricting the ability of Bell Aliant to offer differing service options in the market; and
 - (2) assume the responsibility and associated costs for the ongoing operation and maintenance of the Project Broadband Network.
- (iii) The Province shall not have any authority over the manner in which Broadband services are provided in the Territory. The Province acknowledges and agrees that Bell Aliant shall own each and every portion of the infrastructure, the Project Broadband Network, the Broadband technology and all other aspects of the Project.
- (iv) The Province acknowledges that, consistent with Section (b)(i) above, there shall be no restrictions or conditions placed on Bell Aliant's ability to sell or transfer the infrastructure in the Project Broadband Network, or the Broadband services, arising from this Agreement, and Bell Aliant shall have no restriction on downgrading the Broadband services beyond the Term of the Agreement.
- (v) The Province shall not be entitled to share in any revenues generated by the Project Broadband Network, the provision of Broadband services, the infrastructure, the Broadband technology and any asset owned by Bell Aliant, whether developed as part of the Project or otherwise.

2. TERM

This Schedule shall be effective as of the Effective Date, and shall be in effect until Broadly
Services are provided to the Communities.

APPENDIX A – DETAILED PROJECT DESCRIPTION

PROJECT:

Aliant will expand its current DSLAM (DSL) technology to reach further into rural Prince Edward Island, and align with other rural providers to determine where other technologies provided by other service providers can be used to reach some customers.

TIMELINES:

The Project will be completed over the calendar years 2009 and 2010.

NETWORK:

This access network design will deliver the Broadband service to the Communities listed in Appendix B. Bell Aliant shall deliver a Broadband service to the Communities similar to the Service that is delivered to the larger centers on Prince Edward Island, not restricting the ability of Bell Aliant to offer enhanced service features in the larger centers over time. To achieve this goal, Bell Aliant is utilizing Digital Subscriber Loop Access Multiplexer (“DSLAM”) technology.

1. Some DSLAMs will use a wireless backhaul to a Bell Aliant office where it will be connected into Bell Aliant’s Ethernet network. This method will be used for the majority of new DSLAMs required to provide the wider coverage to the Communities.
2. Some DSLAMs will be directly connected with fibre into Bell Aliant’s Ethernet network.
3. In remote cases, a small number of customers in the Communities may not be within reach of a DSLAM. These customers will be served by using an alternative technology, including but not limited to, fixed wireless access network, which will deliver Internet service directly to the home using a wireless signal. We expect a wireless provider will deliver these services.

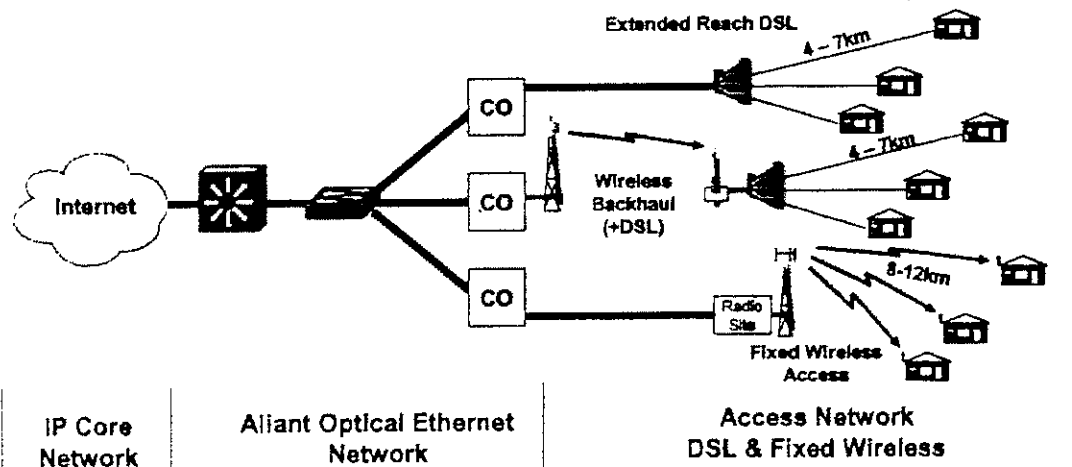


Figure 1: Bell Aliant Broadband Delivery Network Overview

The infrastructure connecting Bell Aliant to the upstream Internet transit at the time of execution - Bell Canada, MCI and Level 3 Communications - takes advantage of multiple, regionally diverse transport facilities into central Canada and United States Eastern Seaboard, providing increased redundancy, geographic diversity, and increased performance ensuring the best customer experience possible. The actual make-up of Bell Aliant’s up-stream transit is subject to change in the sole discretion of Bell Aliant.

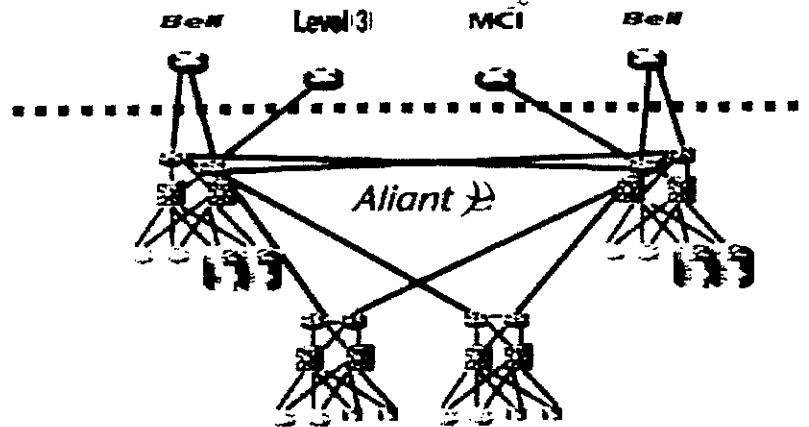


Figure 2: Core Network Security and Connectivity

For the Broadband Service that Bell Aliant provides directly, and subject to change from time to time in Bell Aliant's sole discretion, connectivity from a customer's PC to the Internet will be made per individual customer using a secure connection. Each customer will login to Bell Aliant's network with a unique username and password, which will be verified through Aliant's Radius AAA network architecture. This connectivity can be used to provide various Bell Aliant consumer or business services that are available over DSL accesses.

DSL ACCESS NETWORK

Bell Aliant's primary access network will make use of DSLAM technology. Because of our need to reach as many customers as possible in the Communities, our application of this technology will be limited to standard DSL services (typically up to 1.5 Mbps).

END USER EXPERIENCE

The following are some of the highlights that customers can expect from Bell Aliant's DSL high speed service, which are subject to change from time to time in Bell Aliant's sole discretion:

- Dedicated access to High-Speed service for a consistent speed and level of reliability during the online experience.
- Free access to Bell Aliant Hotspots across Atlantic Canada
- Remote Internet access – Includes 5 hours/month of Dial-up Internet for locations other than customer location.
- 5 e-mail accounts and 5 MB of personal web space
- Toll-Free, 24/7 Bi-Lingual technical support
- Self-installation option
- Net Assistant - our leading-edge technical support tool

APPENDIX B – LIST OF COMMUNITIES

Emerald
Cascumpec
Kildare
Rosebank
Roseville
Sea Cow Head
Annandale
Degros Marsh
Dundas
Brackley
Flat River
Brackley Cell
Hampshire
Hartsville
Cavendish
Hope River
Oyster Bed Bridge
Pleasant Valley
Darnley
Park Corner
Brudenell Point
Gaspereaux
Whim Road
West St. Peters
Bristol
East Royalty
Fort Augustus
French Village

Tracadie Cross
Murray Harbour North
Bonshaw
Canoe Cove
West River
French River
Summerfield
Mt Pleasant
Glenwood
Howard's Cove
Mill River
West Devon
Fortune
Naufrage
Central Lot 16
Freeland
Lennox Island
Mt. Pleasant
Cherry Valley
Egmont Bay
Mt. Carmel
Baldwin Road
Commercial Road
Dover Road
Leards Mill
New Perth
Peakes
St. Mary's Road

SCHEDULE B – LOCAL ACCESS SERVICES

1. LOCAL ACCESS

In consideration for Bell Aliant's undertaking the Project, the Province hereby agrees to procure all of its Local Access services, in the form of Bell Aliant's Centrex Service (the "Services"), from Bell Aliant, in accordance to the terms of the applicable tariff and any existing or future agreements between the parties for the services, for the full duration of the Term. The Customer shall not procure Local Access services from any other supplier during the Term of the Agreement, nor shall it reduce the number of Local Access lines below the amount that it requires on the Effective Date of the Agreement.

2. TERM & TERMINATION

The term of this Schedule shall be from the effective date until December 31, 2013.

Should the Province terminate this Schedule or the Agreement, or not purchase the Services from Bell Aliant, at a minimum commitment of the number of lines the Province requires on the Effective Date, for the full duration of the Term, the Province shall be responsible to pay to Bell Aliant, as liquidated damages and not as a penalty, an amount equal to the difference between the amount Bell Aliant would have received had the Province procured the Services at the minimum commitment referenced above, for the full Term, and the amount Bell Aliant has received from the Province at the time the Province reduces its lines below the minimum commitment referenced above. The Province agrees that this clause is reasonable, given the consideration provided by Bell Aliant for, and reliance of Bell Aliant on, this commitment from the Province.

3. AGREEMENT

The Services shall be provided under the applicable service agreements between the Province and Bell Aliant, and subject to any applicable CRTC Tariffs. The existing agreement(s) are attached as Appendix A to this Schedule B. Nothing in this Agreement shall supercede the terms of Appendix A.

4. PRICING PRINCIPLES

The pricing of the legacy local access services, identified as Bell Aliant's Business Centrex Service, includes the delivery of Bell Aliant's Business Centrex Service to the Province for a five (5) year term.

The assumption is that all Centrex lines and functionality will remain in place as they are today serving the Province, with a potential migration to a Voice over IP solution, as the Province desires. In the event of such migration, Bell Aliant shall provide a revised pricing table to the Province for the Voice over IP solution.

Savings will be provided to the Province in the form of a percentage discount off the Province's annual local services spend calculated using the rates being charged to the Province in 2008 as a baseline. The Province's annual spend will be reduced by 5% for years one and two, 16% in year three, 26% in year four and 37% in year five. These discounts will be achieved through a combination of reductions to the Centrex Business Service line rate, line features and long distance. Costs for service charges and labour resulting from moves, adds and changes will not be discounted.

APPENDIX A – EXISTING AGREEMENT



Election of Centrex Service – Island Region

REGULATION OF SERVICES: All or some of the services provided hereunder may be subject to regulation by the Canadian Radio-television and Telecommunications Commission (the "CRTC") from time to time. Those telecommunications services in relation to which the CRTC has formally withdrawn from actively regulating price and service terms and conditions are referred to as "forborne" services. All non-forborne services (including, for example, but not limited to Centrex), and bundled services that include non-forborne services, are required to be provided, and shall only be provided, consistent with the BELL ALIANT REGIONAL COMMUNICATIONS, Limited Partner tariffs as approved by the CRTC, and amended from time to time. The ALIANT tariffs applicable to the services provided hereunder are as follows:

Tariff references:

1. CRTC 11001 Item 694 – 695, 698.5(a), (b), (f), 699 – Centrex Business Service
2. CRTC 21491 Item 255 – Standard Service Charges
3. CRTC 11002 Item 370 – Other Service Charges

I/ We elect Centrex Service in accordance with Aliant General Tariff, including the above noted General Tariff items as follows: www.crtc.gc.ca

Commencing MARCH 25, 07 and ending MARCH 24, 2010

Rate Category - Number of Accesses (within the province) (Check one)

1-7 (Monthly Only) 8-29 (Monthly Only) 8-29 (1 Year)

Minimum Service Period (Check one)

Monthly 1 Year 2 Year 3 Year 5 Year

30-100 101-500 501-1,500 1,501 -2,500 2,500 +

Class of Service - All services are configured within an exchange area.

More than one class of service may exist in various locations. In these situations, please list those locations on the back of this form.

Associated Multiline Services

Multiline access circuits (Key/PBX) and Micro-link circuits may be aggregated with Centrex locals to determine rate category provided that a minimum of two accesses are terminated on a Centrex customer group. Multi-line and Micro-link circuits take their appropriate tariff rate.

Multiline System Name: _____ Location: _____
List multiple systems and locations on back of this form.

Date: MARCH 30, 2007

(Customer's Legal Name)

Bell Aliant Regional Communications, Limited Partner, by its General Partner, Bell Aliant Regional Communications Inc.

Province of PEI

Per: _____

Per: _____

Per: _____

Per: _____

SCHEDULE C – INNOVATION FUND

1. THE FUND

Each Bell Aliant and the Province agree to contribute five hundred thousand (\$500,000) into an innovation fund to be governed by a joint Bell Aliant / Province steering committee, which will assist with funding to qualified and mutually agreed upon projects located in Prince Edward Island (the "Innovation Fund").

2. THE MANDATE

The Innovation Fund would serve the primary purpose of supporting innovation in Information Technology ("IT"), primarily focused on communications and communications technology.

3. THE GUIDELINES

For each year between 2009 and 2013, inclusive, the Innovation Fund will support multiple grants each year, each in the value of up to fifty thousand dollars (\$50,000) per year. Each of Aliant and the Province will commit one hundred thousand dollars (\$100,000.00) per year to the Innovation Fund.

Each grant shall be recognized as a joint grant from the Province and Aliant, and the parties agree to develop a media and communications plan around the grants, to provide awareness to each party of their support and role in relation to the Innovation Fund and the grants.

Each grant applicant will be required, in the application, to provide a detailed description of their business plan in relation to their IT innovation and the benefit to the communications industry arising from such innovation, as well as describing the use of the grant. Grants will be awarded to projects that have superior management credentials, a demonstrated track record of the applicant, financial feasibility, an innovative research and development program and priority will be placed on projects that promote rural economic development. Each applicant will have the option of applying for a one year (\$50,000) or two year (\$100,000) grant at the time of application.

Each successful applicant will be required to agree to participate in promotion of the grant, at the request of the Innovation Fund Committee, and shall be required to provide periodic updates, in the form of reports, to the Innovation Fund Committee, outlining the progress with their innovation.

4. THE COMMITTEE

The Innovation Fund Committee shall be made up of three individuals from each of the Province and Aliant. The individuals are subject to change, at the request of the party that appointed them, and the specific individual shall be at the discretion of the appointing party.

5. PROCESS

The Innovation PEI Board will be used to administer the request for grants under the Innovation Fund. The processes currently used by the Innovation PEI Board will be used for this Innovation Fund. Upon receipt of the request for grants, the Innovation Fund Committee will meet to review, and will determine the successful applicants. Once the successful applicants have been chosen, the Innovation PEI Board will manage the distribution of the funds to the successful applicants, using their current process.

6. RIGHT OF FIRST REFUSAL

In exchange for Bell Aliant's participation in the Innovation Fund, the Innovation Fund Committee shall ensure that in exchange for an applicant's receipt of a grant hereunder, the applicant shall agree to provide Bell Aliant with the first right to negotiate a development agreement on said product which arises as a result of the grant funding. This right shall be made a condition of the grant to the applicants.

SCHEDULE D – OTHER POTENTIAL OPPURTUNITIES

As part of this Agreement, the parties acknowledge that there may be other opportunities for them to partner for the mutual benefit of each party. To that extent, the list below includes other potential opportunities, however each party explicitly acknowledges that neither party has an obligation to deliver on any of these opportunities. At this time, the parties are simply committing to considering the opportunities. The opportunities include:

1. Aliant and the Province to consider, in the event a possibility arises, as part of any growth or restructuring, the potential for government support in investment in the labour force in Prince Edward Island;
2. The Province and Aliant to consider the possibility of Aliant's IT division, xwave, performing services in relation to the Province's e-Health center;
3. The Province and Aliant to consider the possibility of Aliant performing services in relation to, or supporting development of, the Provincial's fiber optic network
4. The Province and Aliant to consider the possibility of Aliant's IT division, xwave, performing software development services in relation to the Province's EMS central call dispatch center.