

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. These securities have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold within the United States of America.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada (the permanent information record in Québec). Copies of the documents incorporated herein by reference may be obtained on request without charge from the Assistant Corporate Secretary, Bell Canada, 1000, rue de La Gauchetière Ouest, bureau 3700, Montréal (Québec) H3B 4Y7 (telephone (514) 870-8777).

New Issue

December 16, 1999



Bell Canada

\$400,000,000

16,000,000 Shares

Cumulative Redeemable Class A Preferred Shares Series 15

Until February 1, 2005, the Cumulative Redeemable Class A Preferred Shares Series 15 (the "Series 15 Preferred Shares") will be entitled to fixed cumulative preferred cash dividends of \$1.375 per share per annum, as and when declared by the board of directors of Bell Canada, which will accrue from the date of issue and will be payable quarterly on the first day of February, May, August and November in each year with the initial dividend, if declared, payable on May 1, 2000 in the amount of \$0.41815 per share. See "Details of the Offering".

Thereafter, the Series 15 Preferred Shares will be entitled to floating adjustable cumulative preferred cash dividends, as and when declared by the board of directors of Bell Canada, which will accrue from February 1, 2005, and will be payable monthly on the twelfth day of each month commencing with the month of March 2005, with the annual floating dividend rate for the first month equal to 80% of Prime. The dividend rate will float in relation to changes in Prime and will be adjustable upwards or downwards on a monthly basis whenever the Calculated Trading Price of the Series 15 Preferred Shares is \$24.875 or less or \$25.125 or more respectively. The maximum monthly adjustment for changes related to the Calculated Trading Price will be $\pm 4.00\%$ of Prime. The annual floating dividend rate applicable for a month will in no event be less than 50% of Prime or greater than Prime. See "Details of the Offering".

Conversion into a Further Series of Preferred Shares

Holders of Series 15 Preferred Shares will have the right to convert their shares into Cumulative Redeemable Class A Preferred Shares Series 16 of Bell Canada (the "Series 16 Preferred Shares"), subject to certain conditions, on February 1, 2005 and every five years thereafter. See "Details of the Offering".

On February 1, 2005, Bell Canada may redeem for cash the Series 15 Preferred Shares, in whole but not in part, at Bell Canada's option, at \$25.00 per share plus accrued and unpaid dividends. Subsequent to February 1, 2005, Bell Canada may redeem at any time for cash the Series 15 Preferred Shares, in whole but not in part, at Bell Canada's option, at \$25.50 per share plus accrued and unpaid dividends. See "Details of the Offering".

Of the 16,000,000 Series 15 Preferred Shares offered by this short form prospectus, 11,800,000 Series 15 Preferred Shares will be issued to specified purchasers at a price of \$25.00 per share to be paid to Bell Canada from the proceeds of the redemption of the \$150,000,000 Perpetual Cumulative Reset Redeemable Class A Preferred Shares Series 11 of Bell Canada and the redemption of the \$145,000,000 Perpetual Cumulative Reset Redeemable Class A Preferred Shares Series 13 of Bell Canada held by the same parties. No underwriting fee will be paid in respect of the sale of the Series 15 Preferred Shares to such parties. See "Plan of Distribution".

The Toronto Stock Exchange has conditionally approved the listing of the Series 15 Preferred Shares. Listing is subject to Bell Canada fulfilling all the requirements of the Exchange on or before March 9, 2000 including distribution of the securities to a minimum number of public shareholders.

In the opinion of Counsel, the Series 15 Preferred Shares will, at the time of issue, qualify for investment under certain statutes as set out under "Eligibility for Investment".

Price: \$25.00 per share to yield initially 5.50% per annum

	Price to Public	Underwriting Fee ⁽¹⁾	Net Proceeds to Bell Canada ⁽²⁾
Per Share	\$25.00	\$0.75	\$24.25
Total	\$105,000,000	\$3,150,000	\$101,850,000

(1) The underwriting fee is \$0.25 for each share sold to certain institutions and \$0.75 per share for all other shares purchased by the Underwriters. The total represents the underwriting fee assuming no Series 15 Preferred Shares are sold to such institutions.

(2) Before deducting expenses of issue estimated at \$150,000.

We, as principals, conditionally offer the Series 15 Preferred Shares, subject to prior sale, if, as and when issued by Bell Canada and accepted by us, in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of Bell Canada by Timothy E. McGee, Chief Legal Officer and Corporate Secretary of Bell Canada and on our behalf by Lafleur Brown, a general partnership.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the date of closing and the date on which the Series 15 Preferred Shares in definitive form will be ready for delivery will be on or about January 11, 2000.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the various securities commissions or similar authorities in Canada, are specifically incorporated by reference and form an integral part of this short form prospectus:

- (a) Annual Information Form dated March 11, 1999, for the year ended December 31, 1998;
- (b) Consolidated Financial Statements for the year ended December 31, 1998, and the Auditors' Report thereon provided on pages 7 to 21 of the Bell Canada 1998 Financial Information;
- (c) Interim unaudited consolidated financial statements for the periods ended March 31, 1999, June 30, 1999 and September 30, 1999;
- (d) Management's Discussion and Analysis of 1999 First, Second and Third Quarter Results dated May 10, 1999, August 12, 1999 and November 5, 1999, respectively;
- (e) Material Change Report dated April 1, 1999 in connection with the announcement by BCE Inc., Bell Canada's parent company, of a strategic partnership with Ameritech Corporation ("Ameritech") whereby Ameritech would acquire a 20% indirect minority interest in Bell Canada;
- (f) Material Change Report dated June 1, 1999 in connection with the announcement by BCE Inc. of the completion of the closing, on June 1, 1999, of the transaction with Ameritech referred to in (e) above; and
- (g) to the extent permitted by applicable securities law, any other documents which specifically contemplate their incorporation by reference into this short form prospectus.

Any annual information form, material change reports (excluding confidential reports), any interim and annual consolidated financial statements and information circulars filed by Bell Canada with the various securities commissions or similar authorities in Canada after the date of this short form prospectus and prior to the termination of the offering made hereby, shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed to constitute a part of this short form prospectus, except as so modified or superseded.

In this short form prospectus, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars.

ELIGIBILITY FOR INVESTMENT

In the opinion of Timothy E. McGee, Chief Legal Officer and Corporate Secretary of Bell Canada, and Lafleur Brown a general partnership, the Series 15 Preferred Shares offered hereby, will, at the time of issue, qualify as eligible investments under the *Insurance Act* (Ontario), without resort to the so-called "basket" provisions, but subject to general investment provisions and restrictions pertaining generally to purchasers under such Act.

In the opinion of such counsel, the Series 15 Preferred Shares will, at the time of issue, qualify as investments under the *Income Tax Act* (Canada) for trusts governed by a registered retirement savings plan, a registered retirement income fund or a deferred profit sharing plan under the *Income Tax Act* (Canada).

SUMMARY OF THE OFFERING

This summary is qualified by the detailed information appearing elsewhere in this short form prospectus. For a definition of the terms used but not defined in this summary, refer to "Plan of Distribution" and "Details of the Offering".

Issuer: Bell Canada

Issue: Cumulative Redeemable Class A Preferred Shares, Series 15.

Amount: \$400,000,000 (16,000,000 shares). Bell Canada shall have the right to issue from time to time up to \$200,000,000 of additional Series 15 Preferred Shares and/or Series 16 Preferred Shares (8,000,000 shares). However, no Series 16 Preferred Shares may be issued by Bell Canada prior to February 1, 2005.

Price and Yield: \$25.00 per share to yield initially 5.50% per annum (the "Initial Yield").

Principal Characteristics of Series 15 Preferred Shares

Dividends: Until February 1, 2005, fixed cumulative preferred cash dividends at an annual rate equal to the Initial Yield will, if declared, be payable quarterly on the first day of February, May, August and November in each year. Assuming an issue date of January 11, 2000, an initial dividend, if declared, of \$0.41815 per share will be payable on May 1, 2000.

From February 1, 2005, floating adjustable cumulative preferred cash dividends, if declared, will be payable monthly on the twelfth day of each month following the month of February 2005, with the annual floating dividend rate for the first month equal to 80% of Prime. The dividend rate will float in relation to changes in Prime and will be adjusted upwards or downwards on a monthly basis whenever the Calculated Trading Price of the Series 15 Preferred Shares is \$24.875 or less or \$25.125 or more respectively. The maximum monthly adjustment for changes related to the Calculated Trading Price will be $\pm 4.00\%$ of Prime. However, the annual floating dividend rate applicable in a month will in no event be less than 50% of Prime or greater than Prime.

Redemption: The Series 15 Preferred Shares are not redeemable prior to February 1, 2005. The Series 15 Preferred Shares will be redeemable on such date for cash, in whole but not in part, at Bell Canada's option, at \$25.00 per share, together with accrued and unpaid dividends up to but excluding the date of redemption. Redeemable at any time after February 1, 2005, in whole but not in part, for cash, at Bell Canada's option, at \$25.50 per share, together with accrued and unpaid dividends up to but excluding the date of redemption.

Conversion into Series 16 Preferred Shares: Holders of Series 15 Preferred Shares will, subject to the automatic conversion provisions, have the right to convert, on February 1, 2005 and on February 1 every five years thereafter (a "Conversion Date"), their shares into an equal number of Series 16 Preferred Shares upon giving to Bell Canada notice thereof not earlier than 45 days prior to, but not later than the close of business on the 14th day preceding, a Conversion Date.

Automatic Conversion Provisions: Following the close of business on the 14th day preceding a Conversion Date, if Bell Canada determines after having taken into account all shares tendered for conversion by holders of Series 15 Preferred Shares and Series 16 Preferred Shares, as the case may be, that there would be outstanding on such Conversion Date less than 1,000,000 Series 15 Preferred Shares, such remaining number of Series 15 Preferred Shares shall automatically be converted on such Conversion Date into an equal number of Series 16 Preferred Shares. Additionally, if Bell Canada determines at such time that

there would be outstanding on such Conversion Date less than 1,000,000 Series 16 Preferred Shares then no Series 15 Preferred Shares shall be converted into Series 16 Preferred Shares.

Principal Characteristics of Series 16 Preferred Shares

Dividends:

Fixed cumulative preferred cash dividends will, if declared, be payable quarterly on the first day of February, May, August and November in each year.

At least 45 days and not more than 60 days prior to the start of the initial dividend period beginning on February 1, 2005, and at least 45 days and not more than 60 days prior to the first day of each subsequent dividend period (the initial five year dividend period and all subsequent five year dividend periods being referred to as a “Fixed Dividend Rate Period”), Bell Canada shall set, and provide written notice of, a Selected Percentage Rate for the ensuing Fixed Dividend Rate Period. Such Selected Percentage Rate shall not be less than 80% of the five-year Government of Canada Yield determined on the 21st day preceding the first day of the applicable Fixed Dividend Rate Period.

Redemption:

The Series 16 Preferred Shares are not redeemable prior to February 1, 2010. The Series 16 Preferred Shares will be redeemable on February 1, 2010 or on February 1 in every fifth year thereafter for cash, in whole but not in part, at Bell Canada’s option, at \$25.00 per share, together with accrued and unpaid dividends up to but excluding the date of redemption.

Conversion into Series 15 Preferred Shares:

Holders of Series 16 Preferred Shares will, subject to the automatic conversion provisions, have the right to convert, on February 1, 2010 and on February 1 every five years thereafter (a “Conversion Date”), their shares into an equal number of Series 15 Preferred Shares upon giving to Bell Canada notice thereof not earlier than 45 days prior to, but not later than the close of business on the 14th day preceding, a Conversion Date.

Automatic Conversion Provisions:

Following the close of business on the 14th day preceding a Conversion Date, if Bell Canada determines after having taken into account all shares tendered for conversion by holders of Series 16 Preferred Shares and Series 15 Preferred Shares, as the case may be, that there would be outstanding on such Conversion Date less than 1,000,000 Series 16 Preferred Shares, such remaining number of Series 16 Preferred Shares shall automatically be converted on such Conversion Date into an equal number of Series 15 Preferred Shares. Additionally, if Bell Canada determines at such time that there would be outstanding on such Conversion Date less than 1,000,000 Series 15 Preferred Shares then no Series 16 Preferred Shares shall be converted into Series 15 Preferred Shares.

Priority:

The Class A Preferred Shares rank in priority to all other shares of Bell Canada with respect to the payment of dividends and with respect to the distribution of assets in the event of the liquidation, dissolution or winding-up of Bell Canada. Each series of Class A Preferred Shares ranks in such respects on a parity with every other series of Class A Preferred Shares.

Tax on Preferred Share Dividends:

Bell Canada will elect, in the manner and within the time provided under Part VI.1 of the *Income Tax Act* (Canada), to pay tax at a rate such that holders of Series 15 Preferred Shares and Series 16 Preferred Shares will not be required to pay tax on dividends received on such shares under Part IV.1 of such Act.

BELL CANADA

Bell Canada was incorporated by special act of the Parliament of Canada in 1880 and continued under the *Canada Business Corporations Act* (“CBCA”) effective April 21, 1982. Bell Canada may also be legally designated as The Bell Telephone Company of Canada or La Compagnie de Téléphone Bell du Canada and it has its registered office at 1050, côte du Beaver Hall, Montréal (Québec) H2Z 1S4 and its principal executive offices at 1000, rue de La Gauchetière Ouest, bureau 3700, Montréal (Québec) H3B 4Y7.

Bell Canada provides a full range of communications services to customers, including wired and wireless local and long distance telephone services, Internet access, high-speed data services and directories. Bell Canada, its telecom partners and subsidiaries provide services through 13.6 million access lines, including 11 million in Ontario and Québec. Bell Canada also serves more than 2.3 million wireless customers through Bell Mobility Inc. Bell Canada is 80% owned indirectly by BCE Inc. of Montréal, Québec and 20% owned indirectly by Ameritech Corporation of Chicago, Illinois. Ameritech Corporation is a wholly-owned subsidiary of SBC Communications Inc. of San Antonio, Texas.

RECENT DEVELOPMENTS

On November 3, 1999 Bell Canada announced the offering of \$600,000,000 of MTN Debentures pursuant to its medium term debenture program. The 6.50% Debentures, Series M-4 were issued on November 9, 1999 and will mature on May 9, 2005.

USE OF PROCEEDS

The net proceeds from the sale of the 4,200,000 Series 15 Preferred Shares to the public estimated at \$101,700,000 after deducting expenses of issue will be used for the general corporate purposes of Bell Canada. The purchase price of \$295,000,000 of the \$400,000,000 Series 15 Preferred Shares will be paid to Bell Canada from the proceeds of the redemption of the \$150,000,000 Perpetual Cumulative Reset Redeemable Class A Preferred Shares Series 11 (the “Series 11 Preferred Shares”) of Bell Canada held by the same parties and the redemption of the \$145,000,000 Perpetual Cumulative Reset Redeemable Class A Preferred Shares Series 13 (the “Series 13 Preferred Shares”) of Bell Canada held by the same parties (see “Plan of Distribution”).

EARNINGS AND ASSET COVERAGES

The following consolidated financial ratios are calculated as at, or for the twelve months ended December 31, 1998 and September 30, 1999, and give effect to the redemption of the \$150,000,000 Series 11 Preferred Shares and the \$145,000,000 Series 13 Preferred Shares, the issue of the Series 15 Preferred Shares and, to the extent not already reflected in such financial information, the issuance of all long-term debt and preferred shares of Bell Canada and its subsidiaries and repayment or redemption thereof since those dates.

	Twelve months ended			
	December 31, 1998 ⁽¹⁾		September 30, 1999 ⁽²⁾	
	Preferred Shares	Long-Term Debt and Preferred Shares	Preferred Shares	Long-Term Debt and Preferred Shares
Earnings coverage	29.8 times	3.4 times	36.9 times	4.2 times
Net tangible asset coverage for each \$1,000:				
Before deduction of deferred income taxes	8.4 times	1.6 times	8.2 times	1.6 times
After deduction of deferred income taxes	7.9 times	1.6 times	7.6 times	1.5 times

(1) 1998 consolidated financial statements have been restated to give retroactive effect to the reorganization occurring with the strategic partnership with Ameritech Corporation whereby Ameritech acquired an indirect 20% minority interest in Bell Canada.

(2) Based on unaudited financial information.

PLAN OF DISTRIBUTION

Under an agreement dated December 9, 1999 (the “Underwriting Agreement”) between Bell Canada and TD Securities Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Nesbitt Burns Inc., Scotia Capital Inc., Merrill Lynch Canada Inc. and National Bank Financial Inc. as underwriters (the “Underwriters”), Bell Canada has agreed to sell and the Underwriters have agreed to purchase on January 11, 2000, or on such later date as may be agreed upon, but in any event not later than January 27, 2000, all but not less than all of the 4,200,000 Series 15 Preferred Shares offered to the public hereby at a price of \$25.00 per share, payable in cash to Bell Canada against delivery of the Series 15 Preferred Shares, and Bell Canada has agreed to pay the Underwriters a fee equal to \$0.25 per Series 15 Preferred Shares sold to certain institutions and \$0.75 per share for all other Series 15 Preferred Shares purchased by the Underwriters. All fees payable to the Underwriters will be paid on account of services rendered in connection with the offering and will be paid out of the general funds of Bell Canada.

Under separate agreements dated December 9, 1999 between Bell Canada and the holders of all outstanding Series 11 Preferred Shares and Series 13 Preferred Shares (the “Purchasers”), Bell Canada has agreed to sell and the Purchasers have agreed to purchase on January 11, 2000, or on such later date as may be agreed upon, but in any event not later than January 27, 2000, 11,800,000 Series 15 Preferred Shares at a price of \$25.00 payable from the proceeds of the redemption of the Series 11 Preferred Shares and the redemption of the Series 13 Preferred Shares held by the Purchasers. The Purchasers have agreed not to dispose of such Series 15 Preferred Shares prior to April 1, 2001 unless to certain institutional investors who agree to be bound by the same condition. No underwriting fee will be paid to the Underwriters by Bell Canada in respect of the sale of the Series 15 Preferred Shares to the Purchasers.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated by them or Bell Canada upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all the Series 15 Preferred Shares if any Series 15 Preferred Shares are purchased under the Underwriting Agreement.

The Series 15 Preferred Shares offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold, directly or indirectly, in the United States. In addition, until 40 days after the commencement of the offering, any offer or sale of the Series 15 Preferred Shares offered hereby within the United States by the Purchasers or by any dealer may violate

the registration requirements of the Securities Act. The “United States” means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.

In connection with this offering and subject to the foregoing and to applicable law, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 15 Preferred Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

CONSOLIDATED SHARE AND LOAN CAPITAL

The following table sets out the share and loan capital of Bell Canada as at December 31, 1998 and September 30, 1999:

	<u>As at December 31, 1998⁽¹⁾</u>	<u>As at September 30, 1999</u>
	(\$ millions)	(unaudited)
Long-term debt ⁽²⁾	\$10,326	\$7,130
Non-controlling interest	484	345
Share Capital — Preferred	630	630
— Equity-settled notes	923	923
— Common	1,538	4,498
— Contributed Surplus	367	367
— Currency translation adjustment	7	7
Retained earnings	334	531

1. 1998 consolidated financial statements have been restated to give retroactive effect to the reorganization occurring with the strategic partnership with Ameritech Corporation whereby Ameritech acquired an indirect 20% minority interest in Bell Canada.
2. Includes Retractable Preferred Shares of \$116M at September 30, 1999 (\$128M at December 31, 1998) and debt due to related companies of \$1,162M at September 30, 1999 (\$4,058M at December 31, 1998).

After giving effect to the redemption of the \$150,000,000 Series 11 Preferred Shares and the \$145,000,000 Series 13 Preferred Shares and the issue of the Series 15 Preferred Shares, the Share Capital — Preferred would amount to \$735 million.

DESCRIPTION OF SHARE CAPITAL

The articles of incorporation of Bell Canada provide that its authorized share capital shall be divided into an unlimited number of common shares (the “Common Shares”) and an unlimited number of Class A Preferred Shares issuable in series, all without nominal or par value.

Common Shares

Holders of Common Shares are entitled to one vote per share at all meetings of shareholders, except meetings at which only holders of other classes or series of shares of Bell Canada are entitled to vote. Subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of Bell Canada, holders of Common Shares are entitled to receive such dividends payable in money, property, or by the issue of fully paid shares of Bell Canada as may be declared by its board of directors, and they are also entitled to receive the remaining property of Bell Canada upon liquidation, dissolution or winding-up. Holders of Common Shares have no pre-emptive, redemption or conversion rights. All outstanding Common Shares of Bell Canada are fully paid and non-assessable.

Class A Preferred Shares

The board of directors of Bell Canada may from time to time issue Class A Preferred Shares in one or more series and determine for any such series its designation, number of shares and respective rights, privileges, restrictions and conditions. The Class A Preferred Shares rank in priority to the Common Shares of Bell Canada with respect to the payment of dividends and with respect to the distribution of assets in the event of the liquidation, dissolution or winding-up of Bell Canada. Each series of Class A Preferred Shares ranks in such respects on a parity with every other series of Class A Preferred Shares.

The holders of Class A Preferred Shares do not have the right to receive notice of, attend, or vote at any meeting of shareholders except to the extent otherwise provided in the articles of incorporation of Bell Canada with respect to any series of Class A Preferred Shares, or when the holders of Class A Preferred Shares are entitled to vote separately as a class or as a series provided in the CBCA. In connection with any matter requiring the approval of the Class A Preferred Shares as a class, the holders of existing series of Class A Preferred Shares which are outstanding are entitled to one vote in respect of each Class A Preferred Shares held, with the exception of the holders of the Perpetual Cumulative Reset Redeemable Class A Preferred Shares Series 11, 12, 13 and 14 (having a stated value of \$500,000 per share) who are entitled to 5,000 votes for each such share. Bell Canada may, without the approval of the holders of the Class A Preferred Shares, as a class, create any new class of shares ranking on a parity with the Class A Preferred Shares. Holders of Class A Preferred Shares have no pre-emptive rights. All outstanding Class A Preferred Shares of Bell Canada are fully-paid and non-assessable.

The provisions attaching to the Class A Preferred Shares may be repealed, altered, modified or amended with such approval as may then be required by the CBCA, currently being at least two thirds of the votes cast at a meeting or adjourned meeting of the holders of such shares duly called for the purpose and at which a quorum is present.

DETAILS OF THE OFFERING

GENERAL

On November 24, 1999, the Board of Directors of Bell Canada authorized the creation of 24,000,000 Series 15 Preferred Shares and 24,000,000 Series 16 Preferred Shares of Bell Canada. The Series 15 Preferred Shares offered hereby and the Series 16 Preferred Shares will have attached thereto the series provisions summarized below. Bell Canada will furnish upon request a copy of the text of the provisions attaching to the Series 15 Preferred Shares and the Series 16 Preferred Shares.

16,000,000 of the Series 15 Preferred Shares are issuable immediately and 16,000,000 of the Series 16 Preferred Shares are issuable upon conversion of such Series 15 Preferred Shares. An additional 8,000,000 Series 15 Preferred Shares and/or Series 16 Preferred Shares (the "Additional Shares") are reserved for issuance by Bell Canada from time to time, provided that the aggregate amount of such Additional Shares does not exceed 8,000,000. Furthermore, in order to give effect to the conversion of the Additional Shares that may be issued, a number of Series 16 Preferred Shares and/or Series 15 Preferred Shares, as the case may be, into which the Additional Shares shall be convertible, are reserved for issuance by Bell Canada. No Series 16 Preferred Shares may be issued by Bell Canada prior to February 1, 2005.

Details of the Series 15 Preferred Shares

Definition of Terms

The following definitions are relevant to the Series 15 Preferred Shares.

"**Banks**" means any two of Royal Bank of Canada, Bank of Montreal, The Bank of Nova Scotia, The Toronto-Dominion Bank and Canadian Imperial Bank of Commerce and any successor of any of them as may be designated from time to time by the board of directors of Bell Canada by notice given to the transfer agent for the Series 15 Preferred Shares, such notice to take effect on, and to be given at least two (2) business days prior to, the commencement of a particular Dividend Period and, until such notice is first given, means Royal Bank of Canada and The Toronto-Dominion Bank.

"**Calculated Trading Price**" for any month means:

- (a) the aggregate of the Daily Adjusted Trading Value for all Trading Days in such Month;
divided by
- (b) the aggregate of the Daily Trading Volume for all Trading Days in such Month.

"**Daily Accrued Dividend Deduction**" for any Trading Day means:

- (a) the product obtained by multiplying the dividend accrued on a Series 15 Preferred Share in respect of the month in which the Trading Day falls by the number of days elapsed from but excluding the day prior to the Ex-Dividend Date immediately preceding such Trading Day to and including such Trading Day (or if such Trading Day is an Ex-Dividend Date, by one (1) day);

divided by

- (b) the number of days from and including such Ex-Dividend Date to but excluding the following Ex-Dividend Date.

“Daily Adjusted Trading Value” for any Trading Day means:

- (a) the aggregate dollar value of all transactions of Series 15 Preferred Shares on the Exchange (made on the basis of the normal settlement period in effect on the Exchange) occurring during such Trading Day;
- less
- (b) the Daily Trading Volume for such Trading Day multiplied by the Daily Accrued Dividend Deduction for such Trading Day.

“Daily Trading Volume” for any Trading Day means the aggregate number of Series 15 Preferred Shares traded in all transactions (made on the basis of the normal settlement period in effect on the Exchange) occurring during such Trading Day on the Exchange.

“Deemed Record Date” means the last Trading Day of a month with respect to which no dividend is declared by the board of directors of Bell Canada.

“Dividend Payment Date” means:

- (a) during the Fixed Rate Period, the first day of each of February, May, August and November in each year; and
- (b) during the Floating Rate Period, the twelfth day of each Month commencing with the Month of March 2005;

and the first Dividend Payment Date shall be May 1, 2000.

“Dividend Period” means:

- (a) during the Fixed Rate Period, the period from and including a Dividend Payment Date to but not including the next succeeding Dividend Payment date; and
- (b) during the Floating Rate Period, a month.

“Exchange” means The Toronto Stock Exchange or such other exchange or trading market in Canada as may be determined from time to time by Bell Canada as being the principal trading market for the Series 15 Preferred Shares.

“Ex-Dividend Date” means:

- (a) the Trading Day which, under the rules or normal practices of the Exchange, is designated or recognized as the Ex-Dividend Date relative to any dividend record date for the Series 15 Preferred Shares; or
- (b) if the board of directors of Bell Canada fails to declare a dividend in respect of a Month, the Trading Day which, under the rules or normal practices of the Exchange, would be recognized as the Ex-Dividend Date relative to any Deemed Record Date for the Series 15 Preferred Shares.

“Fixed Rate Period” means the period commencing with the date of issue of the Series 15 Preferred Shares and ending on and including January 31, 2005.

“Floating Rate Period” means the period commencing immediately after the end of the Fixed Rate Period and continuing for so long as any of the Series 15 Preferred Shares shall be outstanding.

“Month” means a calendar month.

“Prime” for a Month means the average (rounded to the nearest one-thousandth (1/1000) of one percent (0.001%)) of the Prime Rate in effect on each day of such Month.

“Prime Rate” for any day means the average (rounded to the nearest one-thousandth (1/1000) of one percent (0.001%)) of the annual rates of interest announced from time to time by the Banks as the reference rates then in effect for such day for determining interest rates on Canadian dollar commercial loans made to prime commercial borrowers in Canada. If one of the Banks does not have such an interest rate in effect on a day, the Prime Rate for such day shall be such interest rate in effect for that day of the other Bank; if both Banks do not have such an interest rate in effect on a day, the Prime Rate for that day shall be equal to one and a half percent

(1.5%) per annum plus the average yield expressed as a percentage per annum on 91-day Government of Canada Treasury Bills, as reported by the Bank of Canada, for the weekly tender for the week immediately preceding that day; and if both of such Banks do not have such an interest rate in effect on a day and the Bank of Canada does not report such average yield per annum, the Prime rate for that day shall be equal to the Prime Rate for the next preceding day. The Prime Rate and Prime shall be determined from time to time by an officer of Bell Canada from quotations supplied by the Banks or otherwise publicly available. Such determination shall, in the absence of manifest error, be final and binding upon Bell Canada and upon all holders of Series 15 Preferred Shares.

“**Trading Day**” means, if the Exchange is a stock exchange in Canada, a day on which the Exchange is open for trading or, in any other case, a business day.

Stated Value

The Series 15 Preferred Shares will have a stated value of \$25.00 per share.

Dividends

Until February 1, 2005, the holders of the Series 15 Preferred Shares will be entitled to receive fixed cumulative preferred cash dividends, as and when declared by the Board of Directors of Bell Canada, at an annual rate of 5.50% per share (\$1.375 per share per annum) which will accrue from the date of issue and will be payable quarterly on the first day of February, May, August and November in each year. Assuming an issue date of January 11, 2000, the initial dividend, if declared, will be payable on May 1, 2000, and will amount to \$0.41815 per share.

From February 1, 2005, the holders of the Series 15 Preferred Shares will be entitled to receive floating adjustable cumulative preferred cash dividends, as and when declared by the Board of Directors of Bell Canada, which will be payable on the twelfth day of each Month commencing with the month of March 2005. The annual floating dividend rate for the first Month will be equal to 80% of Prime. The dividend rate will float in relation to changes in Prime and will be adjusted upwards or downwards on a monthly basis by an adjustment factor (the “Adjustment Factor”) whenever the Calculated Trading Price of the Series 15 Preferred Shares is \$24.875 or less or \$25.125 or more respectively. The maximum monthly adjustment for changes in the Calculated Trading Price will be $\pm 4.00\%$ of Prime. The annual floating dividend rate applicable for a Month will in no event be less than 50% of Prime or greater than Prime.

The Adjustment Factor for a Month will be based on the Calculated Trading Price of the Series 15 Preferred Shares for the preceding Month determined in accordance with the following table:

<u>If the Calculated Trading Price for the Preceding Month is</u>	<u>The Adjustment Factor as a Percentage of Prime shall be</u>
\$25.50 or more	–4.00%
\$25.375 and less than \$25.50	–3.00%
\$25.25 and less than \$25.375	–2.00%
\$25.125 and less than \$25.25	–1.00%
Greater than \$24.875 and less than \$25.125	nil
Greater than \$24.75 to \$24.875	1.00%
Greater than \$24.625 to \$24.75	2.00%
Greater than \$24.50 to \$24.625	3.00%
\$24.50 or less	4.00%

The maximum Adjustment Factor for any Month will be $\pm 4.00\%$ of Prime.

If in any Month there is no trade of at least a board lot of the Series 15 Preferred Shares on the Exchange, the Adjustment Factor for the following Month will be nil.

The annual floating dividend rate for a Month will be calculated by Bell Canada as promptly as practicable, and notice thereof will be given to each stock exchange on which the Series 15 Preferred Shares are listed for trading.

Redemption

The Series 15 Preferred Shares will not be redeemable prior to February 1, 2005. The Series 15 Preferred Shares will be redeemable at the option of Bell Canada, subject to applicable law and to “Restrictions on Dividends

and Retirement of Shares” on February 1, 2005, in whole but not in part, at \$25.00 per share, plus an amount equal to all accrued and unpaid dividends up to but excluding the date of redemption. Subsequent to February 1, 2005, the Series 15 Preferred Shares will be redeemable at the option of Bell Canada, in whole but not in part, at \$25.50 per share, plus an amount equal to all accrued and unpaid dividends up to but excluding the date of redemption. Notice of the redemption will be given by Bell Canada not less than 45 days nor more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

Bell Canada may at any time purchase for cancellation all or any part of the Series 15 Preferred Shares in the open market, by private agreement or otherwise at the lowest price or prices at which in the opinion of the Board of Directors of Bell Canada such shares are obtainable.

Restrictions on Dividends and Retirement of Shares

Bell Canada will not, without the approval of the holders of outstanding Series 15 Preferred Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of Bell Canada ranking junior to the Series 15 Preferred shares) on the Common Shares or any other shares of Bell Canada ranking junior to the Series 15 Preferred Shares;
- (b) redeem, purchase or otherwise retire or make any capital distribution on or in respect of the Common Shares or any other shares of Bell Canada ranking junior to the Series 15 Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares of Bell Canada ranking junior to the Series 15 Preferred Shares);
- (c) purchase or otherwise retire less than all the Series 15 Preferred Shares then outstanding; or
- (d) redeem, purchase or otherwise retire (except in connection with the exercise of any retraction privilege or mandatory redemption obligation attaching thereto) any other shares of Bell Canada ranking on a parity with the Series 15 Preferred Shares;

unless, in each such case, all cumulative dividends on outstanding Series 15 Preferred Shares accrued up to and including the dividend payable on the last preceding payment date shall have been declared and paid. Any approval of the holders of the Series 15 Preferred Shares required with respect to the foregoing may be given by the affirmative vote of the holders of the majority of the shares represented at a meeting, or adjourned meeting, of the holders of Series 15 Preferred Shares duly called for the purpose and at which a quorum is present.

Rights on Liquidation

In the event of any liquidation, dissolution or winding-up of Bell Canada, the holders of the Series 15 Preferred Shares will be entitled to receive \$25,00 per Series 15 Preferred Share plus an amount equal to all accrued and unpaid dividends up to but excluding the date of payment or distribution before any payment or distribution is made to the holders of the Common Shares or any other shares of Bell Canada ranking junior to the Series 15 Preferred Shares. Upon payment of such amounts, the holders of the Series 15 Preferred Shares will not be entitled to share in any further distribution of assets of Bell Canada.

Voting Rights

The holders of Series 15 Preferred Shares will not be entitled (except as otherwise provided by law) to receive notice of, attend, or vote at, any meeting of the shareholders of Bell Canada unless Bell Canada shall have failed to pay eight dividends on the Series 15 Preferred Shares, whether or not consecutive. In that event, and for only so long as any such dividends remain in arrears, the holders of Series 15 Preferred Shares will be entitled to receive notice of and to attend all shareholders’ meetings which take place more than sixty (60) days after the date on which the failure first occurred, and to one vote for each share held, except meetings at which only holders of another specified class or series are entitled to vote.

In connection with any action to be taken by Bell Canada which requires the approval of the holders of Series 15 Preferred Shares voting as a series or as part of the class, each such share shall entitle the holder thereof to one vote.

Tax Election

Bell Canada will elect, in the manner and within the time provided under Part VI.1 of the *Income Tax Act* (Canada), to pay tax at a rate such that holders of Series 15 Preferred Shares will not be required to pay tax on dividends received on the Series 15 Preferred Shares under Part IV.1 of such Act.

Modification

The provisions attaching to the Series 15 Preferred Shares as a series may be repealed, altered, modified or amended with such approvals as may then be required by the CBCA, currently being at least two-thirds of the votes cast at a meeting or adjourned meeting of the holders of Series 15 Preferred Shares duly called for the purpose and at which a quorum is present.

Conversion of Series 15 Preferred Shares into Series 16 Preferred Shares

Holders of Series 15 Preferred Shares shall have the right, at their option, on February 1, 2005 and on February 1 in every fifth year thereafter (a "Conversion Date"), to convert, subject to the terms and conditions attaching to such shares, all or any Series 15 Preferred Shares registered in their name into Series 16 Preferred Shares of Bell Canada on the basis of one Series 16 Preferred Share for each Series 15 Preferred Share. The conversion of Series 15 Preferred Shares may be affected by surrender of the certificate(s) representing the same not earlier than 45 days prior to the Conversion Date but not later than the close of business on the 14th day preceding the Conversion Date at any office of any transfer agent of Bell Canada at which the Series 15 Preferred Shares are transferable accompanied by payment or evidence of payment of the tax (if any) payable, as provided in the terms and conditions attaching to the Series 15 Preferred Shares, and a written instrument of surrender in form satisfactory to Bell Canada duly executed by the holder or his attorney authorized in writing.

Bell Canada shall, not less than 45 days nor more than 60 days prior to the applicable Conversion Date, give notice in writing to the then holders of the Series 15 Preferred Shares of the above-mentioned conversion right and of the Selected Percentage Rate (as defined below under "Details of the Series 16 Preferred Shares") determined by the board of directors of Bell Canada to be applicable for the next succeeding Fixed Dividend Rate Period (as defined below under "Details of the Series 16 Preferred Shares") applicable to the Series 16 Preferred Shares. The board of directors of Bell Canada shall, not less than 45 days nor more than 60 days prior to each Conversion Date, determine the Selected Percentage Rate to be applicable to the following Fixed Dividend Rate Period. Bell Canada shall give notice as provided under "Details of the Series 16 Preferred Shares" of the Annual Dividend Rate (as defined below under "Details of the Series 16 Preferred Shares") applicable to the Series 16 Preferred Shares for such Fixed Dividend Rate Period.

Holders of Series 15 Preferred Shares shall not be entitled to convert their shares into Series 16 Preferred Shares if, following the close of business on the 14th day preceding a Conversion Date, Bell Canada determines that there would remain outstanding on a Conversion Date less than 1,000,000 Series 16 Preferred Shares, after having taken into account all Series 15 Preferred Shares tendered for conversion into Series 16 Preferred Shares and all Series 16 Preferred Shares tendered for conversion into Series 15 Preferred Shares. Bell Canada shall give notice in writing thereof to all the holders of the Series 15 Preferred Shares at least seven (7) days prior to the applicable Conversion Date and will issue and deliver, prior to such Conversion Date, to the holders of Series 15 Preferred Shares who have tendered Series 15 Preferred Shares for conversion, new certificates evidencing the Series 15 Preferred Shares tendered for conversion. Furthermore, if following the close of business on the 14th day preceding a Conversion Date Bell Canada determines that there would remain outstanding on a Conversion Date less than 1,000,000 Series 15 Preferred Shares after having taken into account all Series 15 Preferred Shares tendered for conversion into Series 16 Preferred Shares and all Series 16 Preferred Shares tendered for conversion into Series 15 Preferred Shares then, all, but not part, of the remaining outstanding Series 15 Preferred Shares shall automatically be converted into Series 16 Preferred Shares on the basis of one Series 16 Preferred Share for each Series 15 Preferred Share on the applicable Conversion Date and Bell Canada shall give notice in writing thereof to the holders of such remaining Series 15 Preferred Shares at least seven (7) days prior to the Conversion Date.

If Bell Canada gives notice to the holders of the Series 15 Preferred Shares of the redemption of all the Series 15 Preferred Shares, Bell Canada shall not be required to give notice as provided hereunder to the holders of the Series 15 Preferred Shares of a Selected Percentage Rate for the Series 16 Preferred Shares or of the conversion

right of holders of Series 15 Preferred Shares and the right of any holder of Series 15 Preferred Shares to convert such Series 15 Preferred Shares shall cease and terminate in that event.

Details of the Series 16 Preferred Shares

Definition of Terms

The following definitions are relevant to the Series 16 Preferred Shares.

“**Annual Dividend Rate**” means for any Fixed Dividend Rate Period the rate of interest expressed as a percentage per annum (rounded to the nearest one-thousandth of one percent (0.001%) which is equal to the Government of Canada Yield multiplied by the Selected Percentage Rate for such Fixed Dividend Rate Period.

“**Fixed Dividend Rate Period**” means for the initial Fixed Dividend Rate Period, the period commencing on February 1, 2005 and ending on and including January 31, 2010, and for each succeeding Fixed Dividend Rate Period, the period commencing on the day immediately following the end of the immediately preceding Fixed Dividend Rate Period and ending on and including the last day of January in the fifth year immediately thereafter.

“**Government of Canada Yield**” on any date means the average of the yields determined by two registered Canadian investment dealers, selected by the Board of Directors of Bell Canada, as being the yield to maturity on such date compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada Bond would carry if issued in Canadian dollars in Canada as 100% of its principal amount on such date with a term to maturity of five years.

“**Selected Percentage Rate**” each Fixed Dividend Rate Period means the rate of interest, expressed as a percentage of the Government of Canada Yield, determined by the Board of Directors of Bell Canada as set forth in the notice to the holders of the Series 16 Preferred Shares, given in accordance with the terms and conditions attaching to the Series 16 Preferred Shares, which rate of interest shall be not less than 80% of the Government of Canada Yield.

Stated Value

The Series 16 Preferred Shares will have a stated value of \$25.00 per share.

Dividends

The holders of the Series 16 Preferred Shares will be entitled to receive fixed cumulative preferred cash dividends as and when declared by the board of directors of Bell Canada, in the amount per share per annum determined by multiplying the Annual Dividend Rate by \$25.00, to accrue from the date of issue and payable quarterly in respect of each 12 month period on the first day of February, May, August and November.

The board of directors of Bell Canada will, not less than 45 days nor more than 60 days prior to each Conversion Date (as defined below) determine the Selected Percentage Rate to be applicable to the following Fixed Dividend Rate Period and Bell Canada shall give notice in writing thereof to the then holders of the Series 16 Preferred Shares.

The Annual Dividend Rate for each Fixed Dividend Rate Period will be calculated by Bell Canada on the 21st day prior to the first day of each Fixed Dividend Rate Period based upon the Selected Percentage Rate determined with respect to the relevant Fixed Dividend Rate Period and the five-year Government of Canada Yield in effect at 10:00 a.m. (Montreal time) on the said 21st day prior to the first day of the relevant Fixed Dividend Rate Period. Notice of each Annual Dividend Rate shall be provided by Bell Canada within one business day following its determination to all stock exchanges in Canada on which the Series 16 Preferred Shares are listed for trading, and within three business days following its determination by publication once in the national edition of the Globe and Mail in the English language and once in the City of Montreal in both the French and English languages in a daily newspaper of general circulation in Montreal.

Redemption

The Series 16 Preferred Shares will not be redeemable prior to February 1, 2010. The Series 16 Preferred Shares will be redeemable, subject to applicable law and to “Restrictions on Dividends and Retirement of Shares”, on February 1, 2010 or on February 1 in every fifth year thereafter, at the option of Bell Canada, in whole but not in part, at \$25.00 per share, plus an amount equal to all accrued and unpaid dividends up to but excluding the date of

redemption. Notice of the redemption will be given by Bell Canada not less than 45 days nor more than 60 days prior to the date fixed for redemption.

Conversion of Series 16 Preferred Shares into Series 15 Preferred Shares

Holders of Series 16 Preferred Shares shall have the right, at their option, on February 1, 2010 and on February 1 in every fifth year thereafter (a "Conversion Date"), to convert, subject to the terms and conditions attaching to such shares, all or any Series 16 Preferred Shares registered in their name into Series 15 Preferred Shares of Bell Canada on the basis of one Series 15 Preferred Share for each Series 16 Preferred Share. The conversion of Series 16 Preferred Shares may be effected by surrender of the certificate(s) representing the same not earlier than 45 days prior to the Conversion Date but not later than the close of business on the 14th day preceding the Conversion Date at any office of any transfer agent of Bell Canada at which the Series 16 Preferred Shares are transferable accompanied by payment or evidence of payment of the tax (if any) payable, as provided in the terms and conditions attaching to the Series 16 Preferred Shares, and a written instrument of surrender in form satisfactory to Bell Canada duly executed by the holder or his attorney authorized in writing.

Bell Canada shall, not less than 45 days nor more than 60 days prior to the applicable Conversion Date, give notice in writing to the then holders of the Series 16 Preferred Shares of the above-mentioned conversion right and of the Selected Percentage Rate determined by the board of directors of Bell Canada to be applicable for the next succeeding Fixed Dividend Rate Period.

Holders of Series 16 Preferred Shares shall not be entitled to convert their shares into Series 15 Preferred shares if, following the close of business on the 14th day preceding a Conversion Date, Bell Canada determines that there would remain outstanding on a Conversion Date less than 1,000,000 Series 15 Preferred Shares, after having taken into account all Series 16 Preferred Shares tendered for conversion into Series 15 Preferred Shares and all Series 15 Preferred Shares tendered for conversion into Series 16 Preferred Shares. Bell Canada shall give notice in writing thereof to all the holders of the Series 16 Preferred Shares at least seven (7) days prior to the applicable Conversion Date and will issue and deliver, prior to such Conversion Date, to the holders of Series 16 Preferred Shares who have tendered Series 16 Preferred Shares for conversion, new certificates evidencing the Series 16 Preferred Shares tendered for conversion. Furthermore, if following the close of business on the 14th day preceding a Conversion Date Bell Canada determines that there would remain outstanding on a Conversion Date less than 1,000,000 Series 16 Preferred Shares after having taken into account all Series 16 Preferred Shares tendered for conversion into Series 15 Preferred Shares and all Series 15 Preferred Shares tendered for conversion into Series 16 Preferred Shares, then, all, but not part, of the remaining outstanding Series 16 Preferred Shares shall automatically be converted into Series 15 Preferred Shares on the basis of one Series 15 Preferred Share for each Series 16 Preferred Share on the applicable Conversion Date and Bell Canada shall give notice in writing thereof to the holders of such remaining Series 16 Preferred Shares at least seven (7) days prior to the Conversion Date.

If Bell Canada gives notice to the holders of the Series 16 Preferred Shares of the redemption on a Conversion Date of all the Series 16 Preferred Shares, Bell Canada shall not be required to give notice as provided hereunder to the holders of the Series 16 Preferred Shares of a Selected Percentage Rate or of the conversion right of holders of Series 16 Preferred Shares and the right of any holder of Series 16 Preferred Shares to convert such Series 16 Preferred Shares shall cease and terminate in that event.

Purchase for Cancellation

Bell Canada may at any time purchase for cancellation all or any part of the Series 16 Preferred Shares in the open market, by private agreement or otherwise at the lowest price or prices at which in the opinion of the board of directors of Bell Canada such shares are obtainable.

Restrictions on Dividends and Retirement of Shares

Bell Canada will not, without the approval of the holders of outstanding Series 16 Preferred Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of Bell Canada ranking junior to Series 16 Preferred Shares) on the Common Shares or any other shares of Bell Canada ranking junior to the Series 16 Preferred Shares;
- (b) redeem, purchase or otherwise retire or make any capital distribution on or in respect of the Common Shares or any other shares of Bell Canada ranking junior to the Series 16 Preferred Shares (except out of

the net cash proceeds of a substantially concurrent issue of shares of Bell Canada ranking junior to the Series 16 Preferred Shares);

- (c) purchase or otherwise retire less than all the Series 16 Preferred Shares then outstanding; or
- (d) redeem, purchase or otherwise retire (except in connection with the exercise of any retraction privilege or mandatory redemption obligation attaching thereto) any other shares of Bell Canada ranking on a parity with the Series 16 Preferred Shares;

unless, in each such case, all cumulative dividends on outstanding Series 16 Preferred Shares accrued up to and including the dividend payable on the last preceding payment date shall have been declared and paid. Any approval of the holders of the Series 16 Preferred Shares required with respect to the foregoing may be given by the affirmative vote of the holders of the majority of the shares represented at a meeting, or adjourned meeting, of the holders of Series 16 Preferred Shares duly called for the purpose and at which a quorum is present.

Rights on Liquidation

In the event of any liquidation, dissolution or winding-up of Bell Canada, the holders of the Series 16 Preferred Shares will be entitled to receive \$25.00 per Series 16 Preferred Share plus an amount equal to all accrued and unpaid dividends up to but excluding the date of payment or distribution before any payment or distribution is made to the holders of the Common Shares or any other shares of Bell Canada ranking junior to the Series 16 Preferred Shares. Upon payment of such amounts, the holders of the Series 16 Preferred Shares will not be entitled to share in any further distribution of assets of Bell Canada.

Voting Rights

The holders of Series 16 Preferred Shares will not be entitled (except as otherwise provided by law) to receive notice of, attend, or vote at, any meeting of the shareholders of Bell Canada unless Bell Canada shall have failed to pay eight dividends on the Series 16 Preferred Shares, whether or not consecutive. In that event, and for only so long as any such dividends remain in arrears, the holders of Series 16 Preferred Shares will be entitled to receive notice of and to attend all shareholders' meetings which take place more than sixty (60) days after the date on which the failure first occurred, and to one vote for each share held, except meetings at which only holders of another specified class or series are entitled to vote.

In connection with any action to be taken by Bell Canada which requires the approval of the holders of Series 16 Preferred Shares voting as a series or as part of the class, each such share shall entitle the holder thereof to one vote.

Tax Election

Bell Canada will elect, in the manner and within the time provided under Part VI.1 of the *Income Tax Act* (Canada), to pay tax at a rate such that holders of Series 16 Preferred Shares will not be required to pay tax on dividends received on the Series 16 Preferred Shares under Part VI.1 of such Act.

Modification

The provisions attaching to the Series 16 Preferred Shares as a series may be repealed, altered, modified or amended with such approvals as may then be required by the CBCA, currently being at least two-thirds of the votes cast at a meeting or adjourned meeting of the holders of Series 16 Preferred Shares duly called for the purpose and at which a quorum is present.

RATINGS

The Series 15 Preferred Shares are rated P-2 (High) by CBRS Inc. ("CBRS"), the second of the five standard categories used by CBRS for preferred shares. The Series 15 Preferred Shares are rated Pfd 2 (high) by Dominion Bond Rating Service Limited ("DBRS"), the second of the five standard categories used by DBRS for preferred shares.

Neither of the foregoing ratings should be construed as a recommendation to buy, sell or hold securities. Either of the foregoing ratings may be revised or withdrawn at any time by the respective rating organisation.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Mr. Timothy E. McGee, Chief Legal Officer and Corporate Secretary of Bell Canada, and of Lafleur Brown, a general partnership, at the time of issue, the following is a general summary of the principal Canadian federal income tax considerations generally applicable to a prospective purchaser who, within the meaning of the *Income Tax Act* (Canada) (the “Act”), is resident in Canada, will hold Series 15 Preferred Shares or Series 16 Preferred Shares, as the case may be, as capital property and deals at arm’s length with Bell Canada. Under the Act, shares, including the Series 15 Preferred Shares and Series 16 Preferred Shares issued upon conversion of Series 15 Preferred Shares, acquired by certain holders, including “restricted financial institutions” (as defined in the Act), registered or licensed investment dealers or corporations controlled by one or more of the foregoing, will generally not be held as capital property by such holders and will be subject to special “mark-to-market” rules.

The summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Act, the regulations thereunder, all specific proposals to amend the Act and the regulations publicly announced by the Minister of Finance prior to the date hereof and the administrative practices published by Canada Customs and Revenue Agency. This summary does not otherwise take into account any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations.

Taxation of Dividends

Dividends (including deemed dividends) received on the Series 15 Preferred Shares and Series 16 Preferred Shares by an individual will be included in the individual’s income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

Dividends (including deemed dividends) received on the Series 15 Preferred Shares and Series 16 Preferred Shares by a corporation other than a “specified financial institution”, as defined in the Act, will be included in computing the corporation’s income and will generally be deductible in computing the taxable income of the corporation.

Dividends (including deemed dividends) received on the Series 15 Preferred Shares and Series 16 Preferred Shares by a corporation that is a “specified financial institution”, within the meaning of the Act, will be included in computing the corporation’s income and will generally be deductible in computing the corporation’s taxable income, provided the Series 15 Preferred Shares and Series 16 Preferred Shares are not “term preferred shares” within the meaning of the Act at the time the dividend is paid. A share may be considered a term preferred share if, as a consequence of its terms or conditions, the issuing corporation or any person related thereto or any partnership or trust of which the issuing corporation or a person related thereto is a member or beneficiary “may reasonably be expected at any time to redeem, acquire or cancel, in whole or in part, the share or reduce its paid-up capital”. TD Securities Inc., has delivered its opinion of even date herewith that the terms and conditions of the Series 15 Preferred Shares and Series 16 Preferred Shares are not such that, as a consequence of such terms and conditions, Bell Canada or a person related thereto or any partnership or trust of which Bell Canada or a person related thereto is a member or beneficiary may reasonably be expected at any time to redeem, acquire or cancel, in whole or in part, any of the Series 15 Preferred Shares and Series 16 Preferred Shares or to reduce their paid-up capital. Based and relying, in part, on such opinion, the Series 15 Preferred Shares and Series 16 Preferred Shares will not be, in the opinion of counsel, term preferred shares.

A private corporation, as defined in the Act, or any other corporation controlled by or for the benefit of an individual or a related group of individuals, will generally be liable to pay a 33⅓% refundable tax under Part IV of the Act on dividends received (or deemed to be received) on the Series 15 Preferred Shares and Series 16 Preferred Shares to the extent such dividends are deductible in computing its taxable income.

The Series 15 Preferred Shares and Series 16 Preferred Shares are “taxable preferred shares” as defined in the Act. The terms of the Series 15 Preferred Shares and Series 16 Preferred Shares require Bell Canada to make the necessary election under Part VI.1 of the Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Act on dividends paid (or deemed to be paid) by Bell Canada on the Series 15 Preferred Shares

and Series 16 Preferred Shares. Consequently, provided that such election is made, dividends on the Series 15 Preferred Shares and Series 16 Preferred Shares received (or deemed to be received) by corporations, including “specified financial institutions”, will not be subject to the 10% tax payable under Part IV.1 of the Act.

Disposition of Series 15 Preferred Shares and Series 16 Preferred Shares

A holder who disposes of or is deemed to dispose of Series 15 Preferred Shares and/or Series 16 Preferred Shares will generally realize a capital gain (or sustain a capital loss) to the extent that the holder’s proceeds of disposition, net of any costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder. If the holder is a corporation, any capital loss may in certain circumstances be reduced by the amount of certain dividends, including certain deemed dividends, which have been received on the Series 15 Preferred Shares and/or Series 16 Preferred Shares. Analogous rules apply to a partnership or trust of which a corporation is a member or beneficiary.

Redemption of Series 15 Preferred Shares and Series 16 Preferred Shares

If Bell Canada redeems Series 15 Preferred Shares and/or Series 16 Preferred Shares, or otherwise acquires or cancels Series 15 Preferred Shares and/or Series 16 Preferred Shares (other than by a purchase in the open market in the manner in which shares are normally purchased by any member of the public in the open market), the holder will be deemed to have received a dividend equal to the amount, if any, paid by Bell Canada in excess of the paid-up capital of such shares at such time as computed for purposes of the Act. The amount of any such deemed dividend will generally not be included in computing the holder’s proceeds of disposition for purposes of computing the capital gain or loss arising on disposition of such Series 15 Preferred Shares and/or Series 16 Preferred Shares. In the case of a corporate holder, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

Conversion of Series 15 Preferred Shares and Series 16 Preferred Shares

The conversion of the Series 15 Preferred Shares into Series 16 Preferred Shares and of the Series 16 Preferred Shares into Series 15 Preferred Shares will not constitute a disposition thereof and the cost to the holder of the Series 16 Preferred Shares or Series 15 Preferred Shares, as the case may be, acquired on the conversion will be the adjusted cost base to the holder of the converted Series 15 Preferred Shares or Series 16 Preferred Shares, as the case may be, immediately before the conversion.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Series 15 Preferred Shares offered hereunder is Montreal Trust Company at its principal offices in Montreal and Toronto.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in several of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages must be exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE

Dated: December 16, 1999

The foregoing, together with the documents incorporated herein by reference constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland, and contains no misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec).

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

(Signed) J. C. Monty
Chairman and Chief Executive Officer

(Signed) R. Reising
Chief Financial Officer

On behalf of the Board of Directors:

(Signed) J. Edward Newall
Director

(Signed) Guy Saint-Pierre
Director

CERTIFICATE OF UNDERWRITERS

Dated: December 16, 1999

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland, and contains no misrepresentation likely to affect the value or the market price of securities to be distributed, as required by the *Securities Act* (Québec).

TD Securities Inc.

CIBC World Markets Inc.

by: (signed) Gary Littlejohn

by: (signed) Benoît Lauzé

RBC Dominion Securities Inc.

Nesbitt Burns Inc.

by: (signed) Marc Courtois

by: (signed) Luigi Fraquelli

Scotia Capital Inc.

Merrill Lynch Canada Inc.

National Bank Financial Inc.

by: (signed) Jacques O. Nadeau

by: (signed) Eric P. Giroux

by: (signed) Xavier Guillard

The following includes the names of all persons having an interest either directly or indirectly, to the extent of not less than 5% in the capital of:

TD Securities Inc.: a wholly-owned subsidiary of a Canadian chartered bank;

CIBC World Markets Inc.: a wholly-owned subsidiary of a Canadian chartered bank;

RBC Dominion Securities Inc.: an indirect wholly-owned subsidiary of a Canadian chartered bank;

Nesbitt Burns Inc.: a wholly-owned subsidiary of The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian chartered bank;

Scotia Capital Inc.: a wholly-owned subsidiary of a Canadian chartered bank;

Merrill Lynch Canada Inc.: an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc.; and

National Bank Financial Inc.: an indirect wholly-owned subsidiary of a Canadian chartered bank.

