

No securities or regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the U.S. Securities Act of 1933. Subject to certain exceptions, these securities may not be offered, sold or delivered within the United States of America or to U.S. persons.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Bell Canada at 1000, rue de La Gauchetière Ouest, bureau 3700, Montréal (Québec) H3B 4Y7, (514) 870-8777. For the purpose of the Province of Québec, this short form prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of Bell Canada at the above-mentioned address and telephone number.

New Issue

June 5, 2001



# Bell Canada

**\$350,000,000**

**14,000,000 Shares**

## Cumulative Redeemable Class A Preferred Shares, Series 19

Until August 1, 2006, the Cumulative Redeemable Class A Preferred Shares, Series 19 (the "Series 19 Preferred Shares") will be entitled to fixed cumulative preferred cash dividends of \$1.3875 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 November 1, 2001 in the amount of \$0.51699 per share. See "Details of the Offering".

Thereafter, for the initial Subsequent Fixed Rate Period, commencing on August 1, 2006 and ending on and including July 31, 2011 and for each succeeding Subsequent Fixed Rate Period, commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period and ending on and including July 31 in the fifth year thereafter, the Series 19 Preferred Shares will be entitled to fixed cumulative preferred cash dividends, as and when declared by the board of directors of Bell Canada. Bell Canada shall determine on the 25th day prior to the first day of each Subsequent Fixed Dividend Rate Period the annual dividend rate for each Subsequent Fixed Dividend Rate Period, which shall not be less than 80% of the five-year Government of Canada Yield, and give notice thereof. See "Details of the Offering".

### Conversion into a Further Series of Preferred Shares

Holders of Series 19 Preferred Shares will have the right to convert their shares into Cumulative Redeemable Class A Preferred Shares, Series 20 of Bell Canada (the "Series 20 Preferred Shares"), subject to certain conditions, on August 1, 2006 and every five years thereafter. See "Details of the Offering".

On August 1, 2006 or on August 1 in every fifth year thereafter, Bell Canada may redeem for cash the Series 19 Preferred Shares, in whole but not in part, at Bell Canada's option, at \$25.00 per share plus accrued and unpaid dividends. See "Details of the Offering".

Of the 14,000,000 Series 19 Preferred Shares offered by this short form prospectus, 8,000,000 Series 19 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 \$200,000,000 Perpetual Cumulative Reset Redeemable Class A Preferred Shares, Series 12 of Bell Canada. No underwriting fee will be paid in respect of the sale of the Series 19 Preferred Shares to such parties. See "Plan of Distribution".

The Toronto Stock Exchange has conditionally approved the listing of the Series 19 Preferred Shares. Listing is subject to Bell Canada fulfilling all the requirements of the Exchange on or before August 29, 2001 including distribution of the securities to a minimum number of public shareholders.

**In the opinion of counsel, the Series 19 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 5.55% per annum**

|                 | <u>Price to Public</u> | <u>Underwriting Fee<sup>(1)</sup></u> | <u>Net Proceeds to Bell Canada<sup>(2)</sup></u> |
|-----------------|------------------------|---------------------------------------|--|
| Per Share ..... | \$25.00                | \$0.75                                | \$24.25  |
| Total .....     | \$150,000,000          | \$4,500,000                           | \$145,500,000                                    |

(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 19 Preferred Shares are sold to such institutions.

(2) Before deducting expenses of issue estimated at \$250,000.

We, as principals, conditionally offer the Series 19 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 Mr. Timothy E. McGee, Chief Legal Officer and Corporate Secretary of Bell Canada, and on our behalf by Gowling Lafleur Henderson LLP, Montréal.

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 19 Preferred Shares in definitive form will be ready for delivery will be on or about June 18, 2001 or on such later date as may be agreed with the Underwriters but not later than July 17, 2001.

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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 of Bell Canada dated March 9, 2001, for the year ended December 31, 2000;
- (b) Consolidated Financial Statements for the year ended December 31, 2000, and the Auditors' Report thereon provided on pages 12 to 28 of the Bell Canada 2000 Financial Information;
- (c) Management's Discussion and Analysis for the year ended December 31, 2000 provided on pages 2 to 11 of the Bell Canada 2000 Financial Information;
- (d) Unaudited interim consolidated financial statements of Bell Canada for the period ended March 31, 2001;
- (e) Management's Discussion and Analysis of 2001 First Quarter Results of Bell Canada dated May 22, 2001; and
- (f) to the extent permitted by applicable securities law, any other documents which specifically contemplate their incorporation by reference into this short form prospectus.

Any material change reports (excluding confidential material change 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.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Bell Canada at: 1000 rue de La Gauchetière Ouest, bureau 3700, Montréal (Québec) H3B 4Y7 (telephone (514) 870-8777). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of Bell Canada at the above-mentioned address and telephone number.

The documents incorporated by reference in the preceding paragraphs are not incorporated by reference to the extent that their contents are modified or superseded in a statement contained in this short form prospectus or in any other subsequently filed document that is also incorporated by reference in this short form prospectus.

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 Mr. Timothy E. McGee, Chief Legal Officer and Corporate Secretary of Bell Canada, and Gowling Lafleur Henderson LLP, Montréal, the Series 19 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 19 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 19.

**Amount:** \$350,000,000 (14,000,000 shares). Bell Canada shall have the right to issue from time to time up to \$200,000,000 of additional Series 19 Preferred Shares and/or Series 20 Preferred Shares (8,000,000 shares). However, no Series 20 Preferred Shares may be issued by Bell Canada prior to August 1, 2006.

**Price and Yield:** \$25.00 per share to yield initially 5.55% per annum (the “Initial Yield”).

### Principal Characteristics of Series 19 Preferred Shares

**Dividends:** Until August 1, 2006, 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 June 18, 2001, an initial dividend, if declared, of \$0.51699 per share will be payable on November 1, 2001.

From August 1, 2006, for the initial Subsequent Fixed Rate Period, commencing on August 1, 2006 and ending on and including July 31, 2011, and for each succeeding Subsequent Fixed Rate Period, commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period and ending on and including July 31 in the fifth year thereafter, the Series 19 Preferred Shares will be entitled to fixed cumulative preferred cash dividends, as and when declared by the board of directors of Bell Canada. Bell Canada shall determine on the 25th day prior to the first day of each Subsequent Fixed Rate Period the annual dividend rate for each Subsequent Fixed Rate Period and give notice thereof. Such annual dividend rate shall not be less than 80% of the five-year Government of Canada Yield determined on the 25th day prior to the first day of each Subsequent Fixed Rate Period.

**Redemption:** The Series 19 Preferred Shares are not redeemable prior to August 1, 2006. The Series 19 Preferred Shares will be redeemable on August 1, 2006 or on August 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 20 Preferred Shares:** Holders of Series 19 Preferred Shares will, subject to the automatic conversion provisions, have the right to convert, on August 1, 2006 and on August 1 every five years thereafter (a “Conversion Date”), their shares into an equal number of Series 20 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 10th day preceding, a Conversion Date.

**Automatic Conversion Provisions:** Following the close of business on the 10th day preceding a Conversion Date, if Bell Canada determines after having taken into account all shares tendered for conversion by holders of Series 19 Preferred Shares and Series 20 Preferred Shares, as the case may be, that there would be outstanding on such Conversion Date less than 2,000,000 Series 19 Preferred Shares, such remaining number of Series 19 Preferred Shares shall automatically be converted on such Conversion Date into an equal number of Series 20 Preferred Shares. Additionally, if Bell Canada determines at such time that there would be outstanding on such

Conversion Date less than 2,000,000 Series 20 Preferred Shares then no Series 19 Preferred Shares shall be converted into Series 20 Preferred Shares.

### **Principal Characteristics of Series 20 Preferred Shares**

**Dividends:** From August 1, 2006, floating adjustable cumulative preferred cash dividends, if declared, will be payable monthly on the twelfth day of each month following the month of August 2006, 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 20 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 20 Preferred Shares will be redeemable at any time for cash, in whole but not in part, 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 19 Preferred Shares:** Holders of Series 20 Preferred Shares will, subject to the automatic conversion provisions, have the right to convert, on August 1, 2011 and on August 1 every five years thereafter (a "Conversion Date"), their shares into an equal number of Series 19 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 10th day preceding, a Conversion Date.

**Automatic Conversion Provisions:** Following the close of business on the 10th day preceding a Conversion Date, if Bell Canada determines after having taken into account all shares tendered for conversion by holders of Series 20 Preferred Shares and Series 19 Preferred Shares, as the case may be, that there would be outstanding on such Conversion Date less than 2,000,000 Series 20 Preferred Shares, such remaining number of Series 20 Preferred Shares shall automatically be converted on such Conversion Date into an equal number of Series 19 Preferred Shares. Additionally, if Bell Canada determines at such time that there would be outstanding on such Conversion Date less than 2,000,000 Series 19 Preferred Shares then no Series 20 Preferred Shares shall be converted into Series 19 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 19 Preferred Shares and Series 20 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 connectivity to residential and business customers through wired and wireless voice and data communications, high speed and wireless Internet access, IP-broadband services, e-business solutions, local and long distance phone and directory services. Bell Canada indirectly owns all the outstanding shares of Bell Mobility Inc., which was incorporated under the CBCA. Bell Mobility Inc. provides a complete range of innovative wireless communications solutions: PCS and cellular, web-browsing and data, two-way messaging, paging and airline passenger communications services. Bell Canada is 80 per cent owned by BCE Inc. of Montréal and 20 per cent owned by SBC Communications Inc. of San Antonio, Texas.

## **RECENT DEVELOPMENTS**

On November 2, 2000, the Federal Court of Canada allowed Bell Canada’s application for judicial review of the Canadian Human Rights Tribunal’s (“Tribunal”) determination that it could proceed with an inquiry into the 1994 pay equity complaints filed by members of the Communications, Energy and Paperworkers Union of Canada and the Canadian Telephone Employees’ Association. The Federal Court found that the Tribunal lacked institutional independence and prohibited further proceedings in the matter. Hearings before the Tribunal into the merits of the case were suspended. The Canadian Human Rights Commission appealed this decision and on May 24, 2001, the Federal Court of Appeal allowed the appeal. Hearings before the Tribunal will resume pending any appeal of the Federal Court of Appeal’s decision. Unless the matter is otherwise resolved, hearings and any appeals could last several years.

## **USE OF PROCEEDS**

The net proceeds from the sale of the 6,000,000 Series 19 Preferred Shares to the public estimated at \$145,250,000 after deducting expenses of issue will be used for the general corporate purposes of Bell Canada. The purchase price of \$200,000,000 of the \$350,000,000 Series 19 Preferred Shares will be paid to Bell Canada from the proceeds of the redemption of the \$200,000,000 Perpetual Cumulative Reset Redeemable Class A Preferred Shares, Series 12 (the “Series 12 Preferred Shares”) of Bell Canada held by the same parties (see “Plan of Distribution”).

## **EARNINGS COVERAGES**

Bell Canada’s dividend requirements on all of its preferred shares, after giving effect to the redemption of the \$200,000,000 Series 12 Preferred Shares, the issue of the Series 19 Preferred Shares, the redemption of \$135,000,000 Perpetual Cumulative Reset Redeemable Class A Preferred Shares, Series 14 on March 30, 2001, the issue of \$350,000,000 Cumulative Redeemable Class A Preferred Shares, Series 17 on March 30, 2001 and the redemption of \$425,000,000 of equity-settled notes (which for the purposes of this computation are treated as preferred equity) on January 9, 2001, and adjusted to a before-tax equivalent using an effective income tax rate of 43.5%, amounted to approximately \$247 million, for the twelve months ended December 31, 2000 and approximately \$268 million, for the twelve months ended March 31, 2001. These amounts include approximately \$140 million of interest payments on equity settled notes (which for the purpose of this computation are treated as preferred equity) adjusted to a before tax equivalent for the twelve months ended December 31, 2000 and \$141 million for the twelve months ended March 31, 2001.

Bell Canada’s interest requirements, after giving effect to the issuance of all long-term debt and repayment or redemption thereof since December 31, 2000, amounted to \$700 million for the twelve months ended December 31, 2000 and amounted to \$714 million for the twelve months ended March 31, 2001.

Bell Canada’s earnings before interest, income tax and minority interest for the twelve months ended December 31, 2000 was \$3,288 million, which is 3.47 times Bell Canada’s aggregate preferred dividend (including interest payments on equity-settled notes which for the purposes of this computation are treated as preferred equity) and interest requirements for this period. Bell Canada’s earnings before interest, income tax and minority interest for the twelve months ended March 31, 2001 was \$3,563 million, which is 3.63 times Bell Canada’s aggregate preferred dividend and interest requirements for this period.

## PLAN OF DISTRIBUTION

Under an agreement dated May 29, 2001 (the "Underwriting Agreement") between Bell Canada and Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Merrill Lynch Canada Inc., National Bank Financial Inc. and HSBC Securities (Canada) Inc. as underwriters (the "Underwriters"), Bell Canada has agreed to sell and the Underwriters have agreed to purchase on June 18, 2001, or on such later date as may be agreed upon, but in any event not later than July 17, 2001, all but not less than all of the 6,000,000 Series 19 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 19 Preferred Shares, and Bell Canada has agreed to pay the Underwriters a fee equal to \$0.25 per Series 19 Preferred Share sold to certain institutions and \$0.75 per share for all other Series 19 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.

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 19 Preferred Shares if any Series 19 Preferred Shares are purchased under the Underwriting Agreement.

Under separate agreements dated May 29, 2001 between Bell Canada and the holders of all outstanding Series 12 Preferred Shares (the "Purchasers"), Bell Canada has agreed to sell and the Purchasers have agreed to purchase on June 18, 2001, or on such later date as may be agreed upon, but in any event not later than July 17, 2001, 8,000,000 Series 19 Preferred Shares at a price of \$25.00 payable from the proceeds of the redemption of the Series 12 Preferred Shares held by the Purchasers. The Purchasers have agreed not to dispose of such Series 19 Preferred Shares prior to December 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 19 Preferred Shares to the Purchasers.

The Series 19 Preferred Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Underwriter has agreed that, except as permitted by the Underwriting Agreement, it will not offer, sell or deliver the Series 19 Preferred Shares, (i) as part of their distribution at anytime or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Series 19 Preferred Shares during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Series 19 Preferred Shares within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Series 19 Preferred Shares within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

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 19 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, 2000:

|   | (\$ millions)<br><u>As at December 31, 2000</u> |
|---|---|
| Long-term debt <sup>(1)</sup> .....     | 8,955   |
| Non-controlling interest .....          | 85  |
| Share Capital — Preferred .....         | 735   |
| — Equity-settled notes .....            | 2,493   |
| — Common .....                          | 4,673   |
| — Contributed Surplus .....             | 367   |
| — Currency translation adjustment ..... | 1   |
| — Retained earnings .....               | 454   |

1. Includes debt due to related companies of \$702 million at December 31, 2000 and current portion of long-term debt due within one year of \$916 million at December 31, 2000.

Subsequent to December 31, 2000, “Long-term debt” includes the issuance of \$400 million of 6.25% Series M-10 Debentures on January 18, 2001, the issuance of \$300 million of additional 6.25% Series M-10 Debentures on February 28, 2001, the issuance of \$200 million of Floating Rate Debentures Series M-9 on March 16, 2001 and the issuance of \$200 million of 7.85% Series M-11 Debentures on April 2, 2001 as well as the planned redemption of the \$125 million 10.875% Debentures, Series DP, Due 2007 on June 15, 2001. Subsequent to December 31, 2000, “Share Capital — Preferred” includes the redemption on March 30, 2001 of the \$135 million Series 14 Preferred Shares and the issuance on the same date of \$350 million of Series 17 Preferred Shares, and the planned redemption on June 18, 2001 of the \$200 million Series 12 Preferred Shares and the issuance of \$350 million of Series 19 Preferred Shares contemplated by this short form prospectus expected to also take place on June 18, 2001. Subsequent to December 31, 2000, “Share Capital — Equity-settled notes” includes the redemption of \$425 million of equity-settled notes on January 9, 2001.

### 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 as 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 Series 12 Preferred Shares (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 preemptive 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 February 28, 2001, the board of directors of Bell Canada authorized the creation of 22,000,000 Series 19 Preferred Shares and 22,000,000 Series 20 Preferred Shares of Bell Canada. The Series 19 Preferred Shares offered hereby and the Series 20 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 19 Preferred Shares and the Series 20 Preferred Shares.

14,000,000 of the Series 19 Preferred Shares are issuable immediately and 14,000,000 of the Series 20 Preferred Shares are issuable upon conversion of such Series 19 Preferred Shares. An additional 8,000,000 Series 19 Preferred Shares and/or Series 20 Preferred Shares (the "Additional Shares") are reserved for issuance by Bell Canada from time to time, provided that the aggregate number 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 20 Preferred Shares and/or Series 19 Preferred Shares, as the case may be, into which the Additional Shares shall be convertible, are reserved for issuance by Bell Canada. No Series 20 Preferred Shares may be issued by Bell Canada prior to August 1, 2006.

### **Details of the Series 19 Preferred Shares**

#### *Definition of Terms*

The following definitions are relevant to the Series 19 Preferred Shares.

**"Dividend Payment Date"** means the first day of each of February, May, August and November in each year and the first Dividend Payment Date shall be November 1, 2001.

**"Government of Canada Yield"** on any date means the average of the yields determined by two registered Canadian investment dealers, selected by 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 at 100% of its principal amount on such date with a term to maturity of five years.

**"Subsequent Fixed Rate Period"** means for the initial Subsequent Fixed Rate Period, the period commencing on August 1, 2006 and ending on and including July 31, 2011 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Fixed Rate Period and ending on and including July 31 in the fifth year thereafter.

#### *Stated Value*

The Series 19 Preferred Shares will have a stated value of \$25.00 per share.

#### *Dividends*

Until August 1, 2006, the holders of the Series 19 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 5.55% per share (\$1.3875 per share per annum) which will accrue from the date of issue and will be payable quarterly on each Dividend Payment Date. Assuming an issue date of June 18, 2001, the initial dividend, if declared, will be payable on November 1, 2001, and will amount to \$0.51699 per share.

From August 1, 2006, the holders of Series 19 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, payable quarterly on each Dividend Payment Date.

Bell Canada shall determine on the 25th day prior to the first day of each Subsequent Fixed Rate Period, the annual dividend rate for each Subsequent Fixed Rate Period, which annual dividend rate shall not be less than 80% of the Government of Canada Yield in effect at 10:00 A.M. (Montréal time) on the said 25th day prior to the first day of each Subsequent Fixed Rate Period and give notice thereof: (i) within one (1) business day to all stock exchanges in Canada on which the Series 19 Preferred Shares are listed for trading or if the Series 19 Preferred Shares are not listed on a stock exchange in Canada, to the Investment Dealers Association of Canada; and (ii) within three (3) business days to the holders of the Series 19 Preferred Shares by publication once in the national edition of The Globe and Mail in the English language and once in the City of Montréal in both the French and English languages in a daily newspaper of general circulation in Montréal; provided that if any such newspaper is not being generally circulated at that time, such notice shall be published in another equivalent publication.

### ***Redemption***

The Series 19 Preferred Shares will not be redeemable prior to August 1, 2006. The Series 19 Preferred Shares will be redeemable at the option of Bell Canada, in whole but not in part, subject to applicable law and to “Restrictions on Dividends and Retirement of Shares”, on August 1, 2006 or on August 1 in every fifth year thereafter 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 19 Preferred Shares into Series 20 Preferred Shares***

Holders of Series 19 Preferred Shares shall have the right, at their option, on August 1, 2006 and on August 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 19 Preferred Shares registered in their name into Series 20 Preferred Shares of Bell Canada on the basis of one Series 20 Preferred Share for each Series 19 Preferred Share. The conversion of Series 19 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 10th day preceding the Conversion Date at any office of any transfer agent of Bell Canada at which the Series 19 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 19 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 19 Preferred Shares of the above-mentioned conversion right.

Holders of Series 19 Preferred Shares shall not be entitled to convert their shares into Series 20 Preferred Shares if, following the close of business on the 10th day preceding a Conversion Date, Bell Canada determines that there would remain outstanding on a Conversion Date less than 2,000,000 Series 20 Preferred Shares, after having taken into account all Series 19 Preferred Shares tendered for conversion into Series 20 Preferred Shares and all Series 20 Preferred Shares tendered for conversion into Series 19 Preferred Shares. Bell Canada shall give notice in writing thereof to all the affected holders of the Series 19 Preferred Shares prior to the applicable Conversion Date and will issue and deliver, prior to such Conversion Date, to the holders of Series 19 Preferred Shares who have tendered Series 19 Preferred Shares for conversion, new certificates evidencing the Series 19 Preferred Shares tendered for conversion. Furthermore, if following the close of business on the 10th day preceding a Conversion Date Bell Canada determines that there would remain outstanding on a Conversion Date less than 2,000,000 Series 19 Preferred Shares after having taken into account all Series 19 Preferred Shares tendered for conversion into Series 20 Preferred Shares and all Series 20 Preferred Shares tendered for conversion into Series 19 Preferred Shares then, all, but not part, of the remaining outstanding Series 19 Preferred Shares shall automatically be converted into Series 20 Preferred Shares on the basis of one Series 20 Preferred Share for each Series 19 Preferred Share on the applicable Conversion Date and Bell Canada shall give notice in writing thereof to the holders of such remaining Series 19 Preferred Shares prior to the Conversion Date.

If Bell Canada gives notice to the holders of the Series 19 Preferred Shares of the redemption on a Conversion Date of all the Series 19 Preferred Shares, Bell Canada shall not be required to give notice as provided hereunder to the

holders of the Series 19 Preferred Shares of the conversion right of holders of Series 19 Preferred Shares and the right of any holder of Series 19 Preferred Shares to convert such Series 19 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 19 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 19 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 19 Preferred Shares) on the Common Shares or any other shares of Bell Canada ranking junior to the Series 19 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 19 Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares of Bell Canada ranking junior to the Series 19 Preferred Shares);
- (c) purchase or otherwise retire less than all the Series 19 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 19 Preferred Shares;

unless, in each such case, all cumulative dividends on outstanding Series 19 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 19 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 19 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 19 Preferred Shares will be entitled to receive \$25.00 per Series 19 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 19 Preferred Shares. Upon payment of such amounts, the holders of the Series 19 Preferred Shares will not be entitled to share in any further distribution of assets of Bell Canada.

#### ***Voting Rights***

The holders of Series 19 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 19 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 19 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 19 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 19 Preferred Shares will not be required to pay tax on dividends received on the Series 19 Preferred Shares under Part IV.1 of such Act.

### ***Modification***

The provisions attaching to the Series 19 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 19 Preferred Shares duly called for the purpose and at which a quorum is present.

### **Details of the Series 20 Preferred Shares**

#### ***Definition of Terms***

The following definitions are relevant to the Series 20 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 Bell Canada by notice given to the transfer agent for the Series 20 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 20 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 20 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 20 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 Period**” means 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 20 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 20 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 20 Preferred Shares.

“**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 20 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 20 Preferred Shares will have a stated value of \$25.00 per share.

#### ***Dividends***

The holders of the Series 20 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 immediately following the date of issue of the Series 20 Preferred Shares. 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 20 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 20 Preferred Shares for the preceding Month determined in accordance with the following table:

| <b><u>If the Calculated Trading Price<br/>for the Preceding Month is</u></b> | <b><u>The Adjustment Factor as a<br/>Percentage of Prime shall be</u></b> |
|--|---|
| \$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 20 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 20 Preferred Shares are listed for trading.

### ***Redemption***

The Series 20 Preferred Shares will be redeemable at the option of Bell Canada, subject to applicable law and to “Restrictions on Dividends and Retirement of Shares” at any time for cash, in whole but not in part, at Bell Canada’s option, 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.

### ***Conversion of Series 20 Preferred Shares into Series 19 Preferred Shares***

Holders of Series 20 Preferred Shares shall have the right, at their option, on August 1, 2011 and on August 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 20 Preferred Shares registered in their name into Series 19 Preferred Shares of Bell Canada on the basis of one Series 19 Preferred Share for each Series 20 Preferred Share. The conversion of Series 20 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 10th day preceding the Conversion Date at any office of any transfer agent of Bell Canada at which the Series 20 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 20 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 20 Preferred Shares of the above-mentioned conversion right. Bell Canada shall also give notice as provided under “Details of the Series 19 Preferred Shares” of the annual dividend rate applicable to the Series 19 Preferred Shares for each Subsequent Fixed Rate Period (as previously defined under “Details of the Series 19 Preferred Shares”).

Holders of Series 20 Preferred Shares shall not be entitled to convert their shares into Series 19 Preferred Shares if, following the close of business on the 10th day preceding a Conversion Date, Bell Canada determines that there would remain outstanding on a Conversion Date less than 2,000,000 Series 19 Preferred Shares, after having taken into account all Series 20 Preferred Shares tendered for conversion into Series 19 Preferred Shares and all Series 19 Preferred Shares tendered for conversion into Series 20 Preferred Shares. Bell Canada shall give notice in writing thereof to all the affected holders of the Series 20 Preferred Shares prior to the applicable Conversion Date and will issue and deliver, prior to such Conversion Date, to the holders of Series 20 Preferred Shares who have tendered Series 20 Preferred Shares for conversion, new certificates evidencing the Series 20 Preferred Shares tendered for conversion. Furthermore, if following the close of business on the 10th day preceding a Conversion Date Bell Canada determines that there would remain outstanding on a Conversion Date less than 2,000,000 Series 20 Preferred Shares after having taken into account all Series 20 Preferred Shares tendered for conversion into Series 19 Preferred Shares and all Series 19 Preferred Shares tendered for conversion into Series 20 Preferred Shares then, all, but not part, of the remaining outstanding Series 20 Preferred Shares shall automatically be converted into Series 19 Preferred Shares on the basis of one Series 19 Preferred Share for each Series 20 Preferred Share on the applicable Conversion Date and Bell Canada shall give notice in writing thereof to the holders of such remaining Series 20 Preferred Shares prior to the Conversion Date.

If Bell Canada gives notice to the holders of the Series 20 Preferred Shares of the redemption on a Conversion Date of all the Series 20 Preferred Shares, Bell Canada shall not be required to give notice as provided hereunder to the holders of the Series 20 Preferred Shares of the conversion right of holders of Series 20 Preferred Shares and the right of any holder of Series 20 Preferred Shares to convert such Series 20 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 20 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 20 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 20 Preferred shares) on the Common Shares or any other shares of Bell Canada ranking junior to the Series 20 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 20 Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares of Bell Canada ranking junior to the Series 20 Preferred Shares);
- (c) purchase or otherwise retire less than all the Series 20 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 20 Preferred Shares;

unless, in each such case, all cumulative dividends on outstanding Series 20 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 20 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 20 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 20 Preferred Shares will be entitled to receive \$25.00 per Series 20 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 20 Preferred Shares. Upon payment of such amounts, the holders of the Series 20 Preferred Shares will not be entitled to share in any further distribution of assets of Bell Canada.

### ***Voting Rights***

The holders of Series 20 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 20 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 20 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 20 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 20 Preferred Shares will not be required to pay tax on dividends received on the Series 20 Preferred Shares under Part IV.1 of such Act.

### ***Modification***

The provisions attaching to the Series 20 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 20 Preferred Shares duly called for the purpose and at which a quorum is present.

## RISK FACTORS

The purchase of the Series 19 Preferred Shares offered hereby involves certain risks which prospective purchasers should take into consideration when making a decision to purchase Series 19 Preferred Shares. These risk factors have been disclosed in Bell Canada's Management's Discussion and Analysis of 2001 First Quarter Results dated May 22, 2001 on pages 7 to 10 under the heading "Risk Factors", which has been incorporated by reference into this short form prospectus.

## RATINGS

The Series 19 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. The Series 19 Preferred Shares are rated P-1 (Low) by Standard & Poor's Corporation ("S&P"), the highest of the eight standard categories used by S&P for preferred shares.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Ratings for preferred shares range from "Pfd 1 (high)" from DBRS and "P-1 (High)" from S&P, which represent the highest quality of securities to "Pfd 5 (low)" from DBRS and "D" from S&P, which represent the lowest quality of securities rated. The Pfd 2 (high) rating for the Series 17 Preferred Shares is the highest of the three sub-categories within the second of the five standard categories of DBRS and the P-1 (Low) rating is the lowest of the three sub-categories within the highest of the eight standard categories of ratings granted by S&P in the Canadian market. None 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 Gowling Lafleur Henderson LLP, Montréal, 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 19 Preferred Shares or Series 20 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 19 Preferred Shares and Series 20 Preferred Shares issued upon conversion of Series 19 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.

**This 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 19 Preferred Shares and Series 20 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 19 Preferred Shares and Series 20 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 19 Preferred Shares and Series 20 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 19 Preferred Shares and Series 20 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”. Scotia Capital Inc., has delivered its opinion of even date herewith that the terms and conditions of the Series 19 Preferred Shares and Series 20 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 19 Preferred Shares and Series 20 Preferred Shares or to reduce their paid-up capital. Based and relying, in part, on such opinion, the Series 19 Preferred Shares and Series 20 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 33 $\frac{1}{3}$ % refundable tax under Part IV of the Act on dividends received (or deemed to be received) on the Series 19 Preferred Shares and Series 20 Preferred Shares to the extent such dividends are deductible in computing its taxable income.

The Series 19 Preferred Shares and Series 20 Preferred Shares are “taxable preferred shares” as defined in the Act. The terms of the Series 19 Preferred Shares and Series 20 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 19 Preferred Shares and Series 20 Preferred Shares. Consequently, provided that such election is made, dividends on the Series 19 Preferred Shares and Series 20 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 19 Preferred Shares and Series 20 Preferred Shares**

A holder who disposes of or is deemed to dispose of Series 19 Preferred Shares and/or Series 20 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 19 Preferred Shares and/or Series 20 Preferred Shares. Analogous rules apply to a partnership or trust of which a corporation is a member or beneficiary.

#### **Redemption of Series 19 Preferred Shares and Series 20 Preferred Shares**

If Bell Canada redeems Series 19 Preferred Shares and/or Series 20 Preferred Shares, or otherwise acquires or cancels Series 19 Preferred Shares and/or Series 20 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 19 Preferred Shares and/or Series 20 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 19 Preferred Shares and Series 20 Preferred Shares**

The conversion of the Series 19 Preferred Shares into Series 20 Preferred Shares and of the Series 20 Preferred Shares into Series 19 Preferred Shares will not constitute a disposition thereof and the cost to the holder of the Series 20 Preferred Shares or Series 19 Preferred Shares, as the case may be, acquired on the conversion will be the adjusted cost base to the holder of the converted Series 19 Preferred Shares or Series 20 Preferred Shares, as the case may be, immediately before the conversion.

### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Series 19 Preferred Shares offered hereunder is Computershare Trust Company of Canada, acting as agent for Montreal Trust Company, at its principal offices in Montréal and Toronto.



## **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are 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: June 5, 2001

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to each of the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

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

(Signed) J. P. Klug  
Chief Financial Officer

On behalf of the Board of Directors:

(Signed) G. Saint-Pierre  
Director

(Signed) P. M. Tellier  
Director

## CERTIFICATE OF UNDERWRITERS

Dated: June 5, 2001

To the best of our knowledge, information and belief, this short form prospectus, 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 prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

**Scotia Capital Inc.**

by: (signed) John Faris

**TD Securities Inc.**

by: (signed) Paul Noreau

**BMO Nesbitt Burns Inc.**

by: (signed) Luigi Fraquelli

**CIBC World Markets Inc.**

by: (signed) Benoît Lauzé

**RBC Dominion Securities Inc.**

by: (signed) Linda Boulanger

**Merrill Lynch Canada Inc.**

by: (signed) Erik Charbonneau

**National Bank Financial Inc.**

by: (signed) Xavier Guillard

**HSBC Securities (Canada) Inc.**

by: (signed) Luc Buisson

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:

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

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

**BMO Nesbitt Burns Inc.:** a wholly-owned subsidiary of The Nesbitt Burns Corporation Limited, a majority-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;

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

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

**HSBC Securities (Canada) Inc.:** a wholly-owned subsidiary of a Canadian chartered bank.

