

*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, subject to certain exceptions, may not be offered or sold directly or indirectly in the United States of America, its territories or possessions, or to residents or nationals thereof.*

*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 your dealer or from the Vice-President and Corporate Secretary, Bell Canada, 1050 côte du Beaver Hall, Montréal, Québec H2Z 1S4 (telephone 514-870-5107).*

New Issue

# \$150,000,000

# Bell Canada

## 10% Debentures, Series EU, Due 2054

(unsecured)

To be dated December 1, 1994

To mature December 1, 2054

The 10% Debentures, Series EU, Due 2054 (the "Series EU Debentures") may not be redeemed for any purpose prior to December 1, 2054.

***In the opinion of Counsel, these debentures, subject to compliance with the prudent investment standards and general investment provisions, at the date of issue, will not be precluded as investments under the Insurance Companies Act (Canada) and will be eligible investments under certain federal and provincial statutes.***

	Price to Public	Underwriting Fee <sup>(1)</sup>	Net Proceeds to Bell Canada <sup>(2) (3)</sup>
Per debenture .....	Non-fixed price	0.90%	99.03% <sup>(4)</sup>
Total .....	Non-fixed price	\$1,350,000	\$148,545,000

(1) The Underwriters' overall compensation will increase or decrease by the amount by which the aggregate price paid for the Series EU Debentures by the purchasers exceeds or is less than the gross proceeds paid by the Underwriters to Bell Canada.

(2) Plus accrued interest, if any, from December 1, 1994 to the date of delivery.

(3) Before deducting expenses of issue estimated at \$175,000.

(4) Per \$1,000 principal amount of Series EU Debentures.

The Underwriters have agreed to purchase the Series EU Debentures from Bell Canada at 99.93% of their principal amount, plus accrued interest, if any, from December 1, 1994 to the date of delivery, subject to the terms and conditions set forth in the Underwriting Agreement referred to under "Plan of Distribution", and will receive a fixed fee of \$1,350,000.

The Series EU Debentures will be offered to the public at prices to be negotiated by the Underwriters with purchasers. Accordingly, the price at which the securities will be offered and sold to the public may vary as between purchasers and during the period of distribution of the Series EU Debentures.

We, the Underwriters, as principals, conditionally offer \$150,000,000 aggregate principal amount of Series EU Debentures subject to prior sale, if, as and when issued by Bell Canada and accepted by us in accordance with the conditions contained in the agreement referred to under "Plan of Distribution", and subject to the approval of certain legal matters on behalf of Bell Canada by McMaster Meighen, a general partnership, 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 closing will occur on or about December 1, 1994.

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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 February 23, 1994;
- (b) Consolidated Financial Statements of Bell Canada for the year ended December 31, 1993, and the Auditors' Report thereon provided on pages 25 to 38 of Bell Canada's Annual Report 1993; and
- (c) Quarterly Reports of Bell Canada for the first, second and third quarters of 1994 containing the unaudited interim Consolidated Financial Statements for the three months ended March 31, 1994, the six months ended June 30, 1994 and the nine months ended September 30, 1994.

Any Annual Information Form, material change reports (excluding confidential reports), interim 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 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. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

### BELL CANADA

Bell Canada was incorporated by special act of the Parliament of Canada in 1880 and continued under the Canada Business Corporations Act 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 principal and registered offices at 1050 côte du Beaver Hall, Montréal, Québec, Canada H2Z 1S4.

Bell Canada is the largest Canadian supplier of telecommunications services and, as a telecommunications operating company, owns and operates a public switched network for voice, data and image communications in the provinces of Ontario and Québec. Bell Canada has two operating divisions, Bell Ontario and Bell Québec. Bell Canada owns a 100% interest in the Directory Business division of Tele-Direct (Publications) Inc. Bell Canada's wholly-owned subsidiary, Bell Sygma Inc., which commenced operations in 1993, is the holding and management company of Bell Sygma Systems Management Inc., a data processing company, and of Bell Sygma Telecom Solutions Inc., a systems integration company. Bell Canada also has a minority common equity interest in Bell-Northern Research Ltd.

BCE Inc. ("BCE"), directly and through one of its subsidiaries, owns all the outstanding voting shares of Bell Canada. BCE\* is Canada's largest telecommunications company. Its services are provided by a number of Canadian and international telecommunications and directories subsidiary and associated companies, including Bell Canada. Telecommunications equipment is developed, manufactured and distributed by Northern Telecom.

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\*Trademark

## CURRENT OPERATING RESULTS

### *Third Quarter 1994 Results*

Consolidated results for the three months and nine months ended September 30, 1994, along with the comparative figures for the corresponding period of 1993, are summarized below:

	Three months ended September 30		Nine months ended September 30	
	1994 <sup>(1)</sup>	1993	1994 <sup>(1)</sup>	1993
	(millions of dollars)		(millions of dollars)	
Operating revenues .....	\$2,058.7	\$1,991.1	\$6,059.5	\$5,922.9
Operating expenses .....	1,512.6	1,408.1	4,467.1	4,394.9
Net operating revenues .....	<u>\$ 546.1</u>	<u>\$ 583.0</u>	<u>\$1,592.4</u>	<u>\$1,528.0</u>
Net income.....	<u>\$ 212.5</u>	<u>\$ 220.1</u>	<u>\$ 627.6</u>	<u>\$ 585.2</u>

(1) Unaudited

### *Overview*

Bell Canada's net income was \$213 million for the third quarter and \$628 million for the first nine months of 1994.

<i>Net Income</i>	1994	1993	(Decrease) Increase	Change
	(millions of dollars)			%
Third quarter .....	\$212.5	\$220.1	\$(7.6)	(3.5)
Year to date .....	\$627.6	\$585.2	\$42.4	7.2

The dissimilar levels and quarterly patterns of analogue switching equipment amortization and of workforce reduction expenses affected the movement in net income, particularly for the nine-month period (see *Cost Recognition Schedule*). These amounts reflect rulings issued by the Canadian Radio-television and Telecommunications Commission ("CRTC") in June 1994. Excluding the effect of these items from the calculation of net income for both years, net income was \$232 million and \$686 million for the third quarter and the first nine months of 1994. Compared with similarly adjusted data for the same periods of 1993, net income increased by \$2 million or 1.0% and decreased by \$9 million or 1.2%.

### *Cost Recognition Schedule*

	Third quarter	Year to date
	(millions of dollars)	
Analogue switching equipment amortization		
1993 .....	\$ 17	\$ 103
1994 .....	27	81
Workforce reduction expenses		
1993 .....	\$ -	\$ 86
1994 .....	7	20
Impact on net income		
1993 .....	\$(10)	\$(110)
1994 .....	(20)	(59)

Despite strong growth in local and access services and modest economic growth, long distance market share erosion and price competition limited the overall revenue increase to \$68 million and \$137 million in the third quarter and the first nine months of 1994 compared with the same periods of 1993.

Operating expenses increased by \$105 million and \$72 million in the third quarter and the first nine months of 1994 primarily due to higher depreciation expense. Despite the implementation of extensive cost reduction measures, operating expenses are being driven up by increasing sales and marketing expenses which are being incurred in response to competition. The \$66 million decrease in workforce reduction costs largely offsets the year-to-date increase in operating expenses.

Gross capital expenditures decreased by \$164 million in the first nine months of 1994 over the same period last year due to the substantial completion of the switching equipment modernization program and to capital investment containment measures.

### ***Outlook***

Since the beginning of 1993, Bell Canada's financial performance has trended downward. During that period, strong revenue growth in local and access service revenues has been substantially offset by long distance market share erosion and price reductions caused by long distance competition. Delivery of high value service to customers and strengthened marketing and sales efforts remain the top-priority objectives of Bell Canada; achieving these objectives continues to be costly. As a result, Bell Canada has earned regulated rates of return of 10.5% for 1993 and 10.0% for the first nine months of 1994, below the range authorized by the CRTC. Bell Canada expects that for the balance of 1994, maintaining the 10.0% regulated rate of return achieved to date will be difficult.

By the end of 1994, it is expected that Bell Canada's long distance market share loss will be in excess of 20%. The growing market share loss, particularly in the residence toll market as a result of equal access, and the growth in depreciation expense, resulting from investments in new technology, will result in increasing pressure on earnings.

Bell Canada will address its near-term earnings prospects in the context of significant challenges and significant opportunities flowing from the major changes in industry structure and regulatory regime that it will be facing over the next three years.

The CRTC's recent Regulatory Framework Decision (see discussion of this decision under *Recent Developments*) has significantly changed the face of the Canadian telecommunications industry. It represents challenges in that it was not intended to address Bell Canada's short-term financial concerns, and in requiring filings that will open the local market to competition. It represents considerable opportunities through increased flexibility for competitive operations, a move to incentive-based price cap regulation for utility operations after a three-year transition and encouragement for the carriage of Bell Canada's network of a full range of existing and emerging services.

Another important aspect of the decision is that it opens up the possibility of managing Bell Canada's different lines of business according to their particular circumstances.

Bell Canada is dealing with the situation by undertaking a reorganization of the corporation's autonomous business units, with focused accountability for results and for development of existing and new lines of business. In addition, and as an extension of this decision to reorganize, Bell Canada expects to undertake a significant re-engineering of its business processes in order to allow it to refocus its resources and reduce costs. The prospect of seeking increased rates for local services, even beyond the rebalancing included in the regulatory framework decision, is under consideration.

Although the transition will be financially challenging, Bell Canada is confident that the measures it is taking will allow it to remain a strong and successful player in the competitive telecommunications marketplace.

## **RECENT DEVELOPMENTS**

### ***Review of Regulatory Framework***

On September 16, 1994, the CRTC issued a decision which fundamentally restructures the way telephone companies are regulated ("Telecom Decision 94-19"). This decision followed a major public proceeding initiated by the CRTC in November 1992 to review the adequacy of the existing regulatory framework for telecommunications in view of increased competition in the Canadian telecommunications market. In its decision, the CRTC generally endorsed the proposals put forward by Bell Canada and five other members of the Stentor Alliance during the written and oral portions of the proceeding. Following are main features of the decision.

#### ***Rate Rebalancing***

The CRTC acknowledged that the size of the cross subsidy that flows from long distance service to support local service is higher than necessary to ensure that basic local rates are kept at reasonable and affordable levels. Accordingly, basic local rates are to increase by \$2 per month each year for the next three years, beginning January 1, 1995.

The additional revenues generated from the local rate increases must be used to lower the rates for basic long distance services used by residence and small business customers. The overall level of basic long distance rates will be "capped" to ensure that residence and small business customers do not pay higher rates to finance rate reductions for high-volume customers.

#### *Split Rate Base*

The CRTC will begin a public process in November 1994 (with a decision expected in the summer of 1995) to separate the telephone companies' revenues and costs between "competitive" and "utility" services. By splitting the rate base for regulatory accounting purposes, the CRTC can focus regulation on utility services while decreasing the regulatory burden on competitive services.

The CRTC concluded that there was no need for divestiture of the telephone companies' utility and competitive services, nor for the companies to provide services through structurally separate affiliates.

#### *Regulation of Utility Services*

The CRTC will introduce price-cap regulation for utility services beginning January 1, 1998. This approach would shift the focus of regulation from detailed oversight of investments, expenses and earnings to the prices consumers pay. The CRTC expects price regulation to produce such benefits as reduced regulation and increased incentives to reduce costs. A proceeding to decide how that regime will be structured will take place in the first half of 1996.

During the transition period from January 1, 1995 to January 1, 1998, Bell Canada's utility segment will remain subject to rate of return regulation. The CRTC, considering that in the near term the utility segment will likely be lower in risk than the competitive segment, made a downward adjustment of 0.5% to the mid-point of Bell Canada's currently allowed range of rate of return on average common equity ("ROE"). It also widened the ROE range of Bell Canada's utility segment from 10% to 12%, with a mid-point of 11%. The CRTC stated that further risk adjustments may be suggested by parties as part of the split rate base proceeding to begin in November 1994. The CRTC acknowledged the possibility for the telephone companies to file applications for further local rate increases during the transition period.

#### *Regulation of Competitive Services*

The competitive segment will no longer be subject to earnings regulation as of January 1, 1995. Profits and losses of the competitive segment will be borne by the shareholders of each telephone company.

A carrier access tariff ("CAT") will be implemented by which all long distance competitors, including the telephone companies, will pay access charges and make contribution payments to subsidize local rates. The CAT will replace the existing contributions mechanism for competitors established in the CRTC's June 1992 long distance competition decision. The establishment of the CAT ensures that long distance rate reductions will not have any negative impact on the money flowing to the utility side of the business. The amount of the CAT will be reduced annually by the amount of the rate rebalancing. The contribution discounts established by the CRTC in 1992 for competitors, and declining until June 30, 1998, will remain in effect.

In order to prevent anti-competitive pricing in the long distance market, telephone company long distance services must be priced to recover their incremental costs as well as the related CAT. Regulation of discount toll and 800 services will be streamlined significantly and regulation of other classes of competitive services will be expedited.

#### *Increased Competition*

In its decision, the CRTC allowed competition in the local market and endorsed open entry to all telecommunications markets, for all participants. Telephone companies and cable companies are encouraged to compete in the provision of a wide range of information services, including the development and delivery of interactive, multimedia and content-based services. The decision also recognizes that, subject to licensing of the service providers when required, the telephone companies may distribute, as common carriers, video services to the home, such as video dial-tone. Regarding the provision of broadcasting services by the telephone companies or their affiliates, the CRTC noted that the requirement for a licence or an exemption under the Broadcasting Act remains, as do current legislative restrictions.

In opening the local market to competition, the CRTC required that the telephone companies file tariffs as a step toward achieving that objective.

#### *Forbearance*

The CRTC will forbear, or refrain, from regulating the sale, lease and maintenance of terminal equipment as of January 1, 1995. The CRTC ruled that it would be premature to deregulate long distance services, optional local services and competitive network services at this time. However, it has indicated that it supports the progressive deregulation of certain services and established general conditions which must be met before forbearance can occur.

#### *Bell Canada's Position*

Bell Canada and the other Stentor members are encouraged by the CRTC's decision and will participate actively in the future proceedings to implement the new framework.

#### *Regulatory Framework Appeals*

On September 30, 1994 and on October 3, 1994, Unitel Communications Inc. and Sprint Canada Inc., respectively, formally requested the CRTC to review and stay portions of Telecom Decision 94-19. Specifically, they objected to the carrier access tariff, which is a new method of calculating the contributions by long distance carriers to support basic local service. In its decision, the CRTC ordered that, beginning October 15, 1994, contributions be calculated based on a per-minute basis, not on a per-circuit basis. On October 14, 1994, the CRTC granted Unitel's and Sprint's request for a stay and indicated that it expects to render a decision on the appeals by January 1, 1995.

On October 18, 1994, the British Columbia Old Age Pensioners' Organization applied to the CRTC, and on October 31, 1994, a coalition of interest groups called "People for Affordable Telephone Service" petitioned the Federal Cabinet to reverse the annual local rate increases of \$2 per month for basic telephone service ordered by the CRTC in Telecom Decision 94-19. The submission argued that the need for rate rebalancing had not been demonstrated.

Bell Canada and the other Stentor members will be opposing these applications.

#### *1994 Phase III Review Hearing*

Coincident with its September 16, 1994 decision on the regulatory framework, the CRTC released a report by its appointed inquiry officer containing several recommendations concerning the Phase III costing process. Phase III costing will provide the framework and data necessary for the implementation of a split rate base according to Telecom Decision 94-19. Despite several adaptations and modifications to the existing procedures, the report does not recommend a shift away from the fundamental Phase III principle of causality whereby costs are assigned according to the reasons they were incurred.

Interested parties filed comments regarding the recommendations by October 7, 1994. The CRTC will take these comments into account in considering the inquiry officer's Phase III recommendations.

#### *Internal Reorganization*

On November 4, 1994, Bell Canada announced the creation of distinct operating units which reflect the local and competitive lines of its business. These operating units will be fully accountable for their own results and managed with a clear focus on the customer. Bell Canada also created a new corporate group dedicated to developing new technology and new lines of business in such areas as multimedia, personal communications and advanced intelligent network services. This internal restructuring is expected to give Bell Canada the focus and accountability needed to become more efficient, more flexible and more competitive. These changes will become effective on January 1, 1995.

## **INTEREST AND ASSET COVERAGES**

The following financial ratios are calculated based on financial information as at, or for the twelve months ended December 31, 1993 and September 30, 1994 and, to the extent not already reflected in such financial information, give effect to (i) this issue of Series EU Debentures; (ii) the redemption prior to maturity on April 5, 1994 of \$110 million principal amount of First Mortgage 9% Bonds, Series BJ, Due 1999 at the principal amount plus accrued interest; (iii) the redemption prior to maturity on June 1, 1994 of U.S. \$130 million principal amount

of First Mortgage 9½% Bonds, Series BE, Due 1995-2004 at a price equal to 100.45% of the principal amount; (iv) the issue on June 1, 1994 of \$300 million principal amount of 9.20% Debentures, Series ET, Due 1999; (v) the issue of an additional \$25 million Class A Preferred Shares Series 12 on October 31, 1994; (vi) the repayment at maturity on November 5, 1994 of 195 million New Zealand dollar notes, Series 4; and (vii) the proposed issue in Europe on December 1, 1994 of \$150 million principal amount of 9.375% Debentures, Series EV, Due 1999.

	Twelve months ended	
	September 30, 1994 <sup>(1)</sup>	December 31, 1993
Earnings coverage of interest on long term debt of Bell Canada . . . . .	3.5 times	3.5 times
Net tangible asset coverage for each \$1,000 of long term debt:		
Before deduction of deferred income taxes . . . . .	2.6 times	2.7 times
After deduction of deferred income taxes . . . . .	2.3 times	2.3 times

(1) Based on unaudited financial information.

### PLAN OF DISTRIBUTION

Under an agreement dated November 8, 1994, as amended November 15, 1994, between Bell Canada and RBC Dominion Securities Inc., Wood Gundy Inc., Nesbitt Burns Inc., Lévesque Beaubien Geoffrion Inc., Toronto Dominion Securities Inc., Richardson Greenshields of Canada Limited, ScotiaMcLeod Inc., Salomon Brothers Canada Inc, Citibank Canada Securities Limited, Goldman Sachs Canada and Midland Walwyn Capital Inc., as underwriters (the "Underwriters"), Bell Canada has agreed to sell and the Underwriters have agreed to purchase on December 1, 1994, or on such later date as may be agreed upon, but in any event not later than December 28, 1994, all but not less than all of \$150,000,000 principal amount of Series EU Debentures at a price of \$99.93 per \$100 of such principal amount of Series EU Debentures, plus accrued interest, if any, to the date of delivery, payable in cash to Bell Canada against delivery of such principal amount of Series EU Debentures. In consideration for their services in connection with this offering, Bell Canada has agreed to pay the Underwriters a fee of \$0.90 per \$100 of such principal amount of Series EU Debentures. 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 Series EU Debentures will be offered to the public at prices to be negotiated by the Underwriters with purchasers. Accordingly, the price at which the securities will be offered and sold to the public may vary as between purchasers and during the period of distribution of the Series EU Debentures. The Underwriters' overall compensation will increase or decrease by the amount by which the aggregate price paid for the Series EU Debentures by the purchasers exceeds or is less than the gross proceeds paid by the Underwriters to Bell Canada.

The obligations of the Underwriters under such 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 such principal amount of Series EU Debentures if any Series EU Debentures are purchased under such agreement.

In connection with this offering, the Underwriters may over-allot the Series EU Debentures offered by this short form prospectus or effect transactions which stabilize or maintain the market price of such Series EU Debentures at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Series EU Debentures have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Underwriting Agreement, however, permits the Underwriters to reoffer and resell Series EU Debentures purchased by them to certain qualified financial institutions in the United States provided that such reoffers and resales are made only in accordance with Rule 144A under the Securities Act (which Rule provides an exemption from registration under the Securities Act in connection with such reoffers and resales). In addition, until 40 days after the commencement of the offering, an offer or sale of Series EU Debentures within the United States by any dealer (whether or 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.

The Underwriters may offer separately for sale by a prospectus to be filed in each province all or part of the principal amount of the Series EU Debentures and of the interest payments attaching to such Series EU Debentures subject to compliance with the securities legislation applicable in each of the provinces of Canada.

## USE OF PROCEEDS

The net proceeds from the sale of the Series EU Debentures offered hereby, after deducting offering expenses and the underwriting commission, will be added to the general funds available to Bell Canada to meet its cash requirements.

## DETAILS OF THE OFFERING

### *General*

The following is a brief summary of the material attributes and characteristics of the 10% Debentures, Series EU, Due 2054 of Bell Canada, to be dated December 1, 1994 and to mature December 1, 2054. This summary does not purport to be complete and for full particulars reference is made to the Indenture referred to below.

The Series EU Debentures will be payable as to principal and interest in lawful money of Canada at any branch in Canada of the bank designated in the Series EU Debentures, at the holder's option.

Interest on the Series EU Debentures will be payable at the rate of 10% per annum half-yearly on June 1 and December 1.

### *Indenture*

The Series EU Debentures are to be issued under an indenture dated as of July 1, 1976 and indentures supplemental thereto, executed by Bell Canada in favour of The Royal Trust Company, Trustee, including a forty-second supplemental indenture to be executed by Bell Canada in favour of The Royal Trust Company, Trustee (hereinafter collectively referred to as the "Indenture"). The forty-second supplemental indenture will provide for the creation of \$500,000,000 aggregate principal amount of Series EU Debentures of which \$150,000,000 aggregate principal amount is offered by this short form prospectus and up to a maximum of \$350,000,000 aggregate principal amount may be authorized to be executed, certified and delivered from time to time. All debentures issued under the Indenture and outstanding are collectively referred to as the "Debentures".

There is no material relationship between Bell Canada or any of its affiliates and The Royal Trust Company, the Trustee under the Indenture.

### *Form and Denominations*

The Series EU Debentures will be available in fully registered form only, in denominations of \$1,000 or any multiple of \$1,000.

The Series EU Debentures in any authorized denomination will be exchangeable for an equal aggregate principal amount of Series EU Debentures in any other authorized denomination.

### *Transferability*

The Series EU Debentures will be transferable at the offices of the Trustee, The Royal Trust Company, in St. John's, Halifax, Charlottetown, Saint John, Montréal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

### *Sinking Fund*

No sinking fund has been provided in respect of any Debentures of Bell Canada now outstanding, nor will any sinking fund be provided in respect of the Series EU Debentures offered by this short form prospectus.

### *Redemption*

The Series EU Debentures may not be redeemed for any purpose prior to December 1, 2054.

### *Open Market Purchases*

Bell Canada will have the right at any time and from time to time to purchase Series EU Debentures in the market, by tender or by private contract at any price.



## **Ranking**

In the opinion of Counsel, the Debentures and all debentures issued under an indenture entered into between Bell Canada and Morgan Guaranty Trust Company of New York dated as of April 1, 1976 and indentures supplemental thereto, will rank *pari passu* as unsecured obligations of Bell Canada.

## **First Mortgage Trust Indenture**

Since June 1, 1994 Bell Canada has no First Mortgage Bonds outstanding under its Trust Indenture and Mortgage, dated as of March 1, 1925 (the "First Mortgage Trust Indenture").

## **Covenants**

The Indenture contains covenants to the following effect:

1. *Covenant Not to Issue More First Mortgage Bonds.* Bell Canada will not issue any First Mortgage Bonds except those which may be issued in respect of bonds which may be surrendered for transfer, exchange or substitution or which may be issued in replacement of bonds mutilated, destroyed, lost or stolen.
2. *Limitation on Liens.* Subject to the exceptions set forth in Paragraph 4, Bell Canada will not issue, assume or guarantee any Debt secured by, and will not after the date of the Indenture secure any Debt by, a Mortgage upon any property of Bell Canada (whether now owned or hereafter acquired), without in any such case effectively providing concurrently therewith that the Debentures (together with any other Debt of Bell Canada which may then be outstanding and entitled to the benefit of a covenant similar in effect to this covenant) shall be secured equally and rateably with such Debt; provided, however, that the foregoing restrictions shall not apply to Debt secured by:
  - (i) Purchase Money Mortgages;
  - (ii) Mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with Bell Canada or at the time of a sale, lease or other disposition to Bell Canada of the properties of a corporation as an entirety or substantially as an entirety;
  - (iii) Mortgages required by the First Mortgage Trust Indenture and permitted by Paragraph 1 hereof;
  - (iv) Mortgages on current assets of Bell Canada securing Current Debt of Bell Canada; or
  - (v) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Mortgage referred to in the foregoing clauses (i) or (ii) or any Mortgage (other than Mortgages created by the First Mortgage Trust Indenture) existing at the date of the Indenture, provided, however, that the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the Mortgage so extended, renewed or replaced (plus improvements on such property).
3. *Limitation on Sale and Leaseback Transactions.* Subject to the exceptions set forth in Paragraph 4, Bell Canada will not enter into any Sale and Leaseback Transaction unless the net proceeds of the sale or transfer of the property involved therein have been determined by the directors of Bell Canada to be at least equal to the fair value of such property at the time of such sale or transfer and, either (i) the property sold or transferred could have been subjected to the lien of a Purchase Money Mortgage pursuant to the provisions of Paragraph 2 (i), or (ii) Bell Canada applies or causes to be applied an amount equal to the net proceeds of such sale or transfer within 120 days of the receipt thereof to the retirement (whether at maturity or by prepayment) of Debt of Bell Canada which was Funded Debt at the time of original issuance, assumption or guarantee thereof.
4. *Additional Permitted Liens and Sale and Leaseback Transactions.* In addition to Mortgages and Sale and Leaseback Transactions permitted by Paragraphs 2 and 3, Bell Canada may:
  - (i) issue, assume or guarantee any Debt secured by, or secure after the date of the Indenture any Debt by, a Mortgage upon any property of Bell Canada (whether now owned or hereafter acquired); and
  - (ii) enter into any Sale and Leaseback Transaction

if, after giving effect thereto, the sum of (a) the aggregate principal amount of Debt secured by Mortgages of Bell Canada permitted only by this Paragraph 4 plus (b) Attributable Debt existing at such time in respect of Sale

and Leaseback Transactions of Bell Canada entered into after the date of the Indenture and permitted only by this Paragraph 4, does not at such time exceed 5% of the Net Worth of Bell Canada.

5. *Limitations on Issuance of Additional Funded Debt.* (a) Bell Canada will not issue, assume or guarantee any Funded Debt (other than Funded Debt secured by Purchase Money Mortgages and other than Funded Debt issued as an extension, retirement, renewal or replacement of Debt which was Funded Debt at time of original issuance, assumption or guarantee without increasing the principal amount thereof) ranking equally with the Debentures unless Earnings Available for Payment of Interest Charges during any period of 12 successive calendar months selected by Bell Canada out of 18 such months next preceding the date of the proposed issuance, assumption or guarantee of the new Funded Debt shall have been not less than one and three-quarters times the sum of (i) annualized interest charges on all Funded Debt outstanding at the date of such proposed issuance, assumption or guarantee (except Funded Debt held in any purchase, sinking, amortization or analogous fund and Funded Debt to be retired by the Funded Debt proposed to be issued or to be retired by Funded Debt issued since the beginning of such 12 month period) plus (ii) annualized interest charges on the Funded Debt proposed to be issued, assumed or guaranteed.

(b) Bell Canada will not issue, assume or guarantee any Funded Debt (other than Funded Debt secured by Purchase Money Mortgages and other than Funded Debt issued as an extension, retirement, renewal or replacement of Debt which was Funded Debt at time of original issuance, assumption or guarantee without increasing the principal amount thereof) ranking equally with the Debentures unless all Funded Debt of Bell Canada outstanding at the date of such proposed issuance, assumption or guarantee (except Funded Debt held in any purchase, sinking, amortization or analogous fund) shall not exceed 66 $\frac{2}{3}$ % of the Tangible Property of Bell Canada (after giving effect to such issuance, assumption or guarantee and the receipt and application of the proceeds thereof).

The terms Attributable Debt, Current Debt, Debt, Earnings Available for Payment of Interest Charges, First Mortgage Trust Indenture, First Mortgage Bonds, Funded Debt, Mortgage, Net Worth of Bell Canada, Purchase Money Mortgage, Sale and Leaseback Transaction, and Tangible Property of Bell Canada are defined in the Indenture.

### ***Modification***

The Indenture and the rights of the holders of Debentures may in certain circumstances be modified. For that purpose, among others, the Indenture contains provisions making extraordinary resolutions binding upon all holders of Debentures. "Extraordinary resolution" is defined, in effect, as a resolution passed at a meeting of Debentureholders by the affirmative votes of the holders of at least 66 $\frac{2}{3}$ % of the principal amount of Debentures voted on the resolution at a meeting of Debentureholders at which a quorum, as specified in the Indenture, is present or as one or more instruments in writing signed by the holders of at least 66 $\frac{2}{3}$ % in principal amount of all outstanding Debentures. In certain cases the modification requires separate assent by the holders of the required percentage of Debentures of each series.

### ***Ratings***

This offering has been rated A+ (low) by Canadian Bond Rating Service ("CBRS"). Securities rated A+ (low) have the second highest rating category of CBRS. This offering has also been rated AA (low) by Dominion Bond Rating Service Limited ("DBRS"). Securities rated AA (low) have the second highest rating classification of DBRS. The ratings herein mentioned are not a recommendation to buy, sell or hold the Series EU Debentures and they may be subject to revision or withdrawal at any time by the respective rating organizations.

## **TRANSFER AGENT AND REGISTRAR**

The register for the Series EU Debentures will be kept at the principal office of the Trustee, The Royal Trust Company, in Montréal, and facilities for registration, exchange and transfer of the Series EU Debentures will be maintained at the principal offices of the Trustee in St. John's, Halifax, Charlottetown, Saint John, Montréal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

## **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 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, but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his province. The purchaser should refer to any applicable provisions of the securities legislation of his province for the particulars of these rights or consult with a legal adviser.

## CERTIFICATE OF BELL CANADA

Dated: November 16, 1994

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. This short form 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, as required by the securities laws of Québec.

**Chief Executive Officer**

(Signed) J. T. McLENNAN  
President and  
Chief Executive Officer

**Chief Financial Officer**

(Signed) R. A. HAMILTON HARDING  
Vice-President (Finance) and  
Chief Financial Officer

On behalf of the Board of Directors:

**Director**

(Signed) J. V. R. CYR

**Director**

(Signed) GUYLAINE SAUCIER

## CERTIFICATE OF UNDERWRITERS

Dated: November 16, 1994

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. To our knowledge this short form 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, as required by the securities laws of Québec.

**RBC Dominion Securities Inc.**

(Signed) T.T. PEPPER

**Wood Gundy Inc.**

(Signed) FRANÇOIS GERVAIS

**Nesbitt Burns Inc.**

(Signed) LUIGI C. FRAQUELLI

**Lévesque Beaubien Geoffrion Inc.**

(Signed) GARY LITTLEJOHN

**Toronto Dominion Securities Inc.**

(Signed) JOHN C. GRANDY

**Richardson Greenshields of Canada Limited**

(Signed) PIERRE MATUSZEWSKI

**ScotiaMcLeod Inc.**

(Signed) STEVEN R. ABRAMS

**Salomon Brothers Canada Inc**

(Signed) PATRICK B. MENELEY

**Citibank Canada Securities Limited**

(Signed) J. DAVID BEATTIE

**Goldman Sachs Canada  
by: Goldman Sachs Canada Inc.**

(Signed) STEVEN SHELTON

**Midland Walwyn Capital Inc.**

(Signed) RONALD P. VINET

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:

**RBC Dominion Securities Inc.:** RBC Dominion Securities Limited, a majority-owned subsidiary of a Canadian chartered bank;

**Wood Gundy Inc.:** wholly-owned by the CIBC Wood Gundy Corporation, a majority-owned subsidiary of a Canadian chartered bank;

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

**Lévesque Beaubien Geoffrion Inc.:** wholly-owned by Lévesque, Beaubien and Company Inc., a majority-owned subsidiary of a Canadian chartered bank;

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

**Richardson Greenshields of Canada Limited:** wholly-owned by Richardson Greenshields Limited;

**ScotiaMcLeod Inc.:** wholly-owned by a Canadian chartered bank;

**Salomon Brothers Canada Inc:** an indirectly wholly-owned subsidiary of Salomon Inc;

**Citibank Canada Securities Limited:** wholly-owned by a Canadian chartered bank;

**Goldman Sachs Canada:** Goldman Sachs Canada is a limited partnership in which The Goldman Sachs Group, L.P. is the limited partner and Goldman Sachs Canada Inc., a wholly-owned subsidiary of the Goldman Sachs Group, L.P. is the general partner; and

**Midland Walwyn Capital Inc.:** wholly-owned subsidiary of Midland Walwyn Inc.