

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 Corporate Secretary, Bell Canada, 1000, rue de la Gauchetière Ouest, bureau 3700, Montréal, Québec H3B 4Y7 (telephone 514-397-7000).

New Issue

\$150,000,000 Bell Canada

7.65% Subordinated Debentures, Series 2, Due 2031

(unsecured)

To be dated December 30, 1996

To mature December 30, 2031

The 7.65% Subordinated Debentures, Series 2, Due 2031 (the "Series 2 Subordinated Debentures") are subordinated in right of payment to the prior payment in full of all Senior Debt (as defined) of Bell Canada.

Option to Extend Interest Payment Period

Bell Canada has the right to extend an interest payment period from time to time on the Series 2 Subordinated Debentures for a term not exceeding 5 years and, as a consequence, half-yearly interest payments on the Series 2 Subordinated Debentures would be deferred (but would continue to accrue with interest thereon) during any such extended interest payment period. In the event Bell Canada exercises this right, Bell Canada may not declare or pay dividends on, or redeem, purchase or acquire any of its common shares or preferred shares. See "Details of the Offering".

The Series 2 Subordinated Debentures may be redeemed at the option of Bell Canada at any time prior to maturity at a price equal to the Canada Yield Price (as defined), as set forth under "Details of the Offering".

In the opinion of Counsel, these subordinated 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.

	<u>Price to Public</u>	<u>Underwriting Fee⁽¹⁾</u>	<u>Net Proceeds to Bell Canada^{(2) (3)}</u>
Per debenture	Non-fixed price	0.90%	98.641% ⁽⁴⁾
Total	Non-fixed price	\$1,350,000	\$147,961,500

(1) The Underwriters' overall compensation will increase or decrease by the amount by which the aggregate price paid for the Series 2 Subordinated 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 30, 1996 to the date of delivery.

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

(4) Per \$1,000 principal amount of Series 2 Subordinated Debentures.

The Underwriters have agreed to purchase the Series 2 Subordinated Debentures from Bell Canada at 99.541% of their principal amount, plus accrued interest, if any, from December 30, 1996 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 2 Subordinated 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 2 Subordinated Debentures.

We, the Underwriters, as principals, conditionally offer \$150,000,000 aggregate principal amount of Series 2 Subordinated 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 30, 1996.

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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 28, 1996;
- (b) Consolidated Financial Statements of Bell Canada for the year ended December 31, 1995, and the Auditors' Report thereon provided on pages 36 to 54 of Bell Canada's Annual Report 1995; and
- (c) Quarterly Reports of Bell Canada for the first, second and third quarters of 1996 containing the unaudited interim Consolidated Financial Statements for the three months ended March 31, 1996, the six months ended June 30, 1996 and the nine months ended September 30, 1996.

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. On January 1, 1995, Bell Canada created distinct operating units which reflect the local (Bell local services) and competitive (Bell horizon services) lines of its business. These operating units are 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 selecting new technology and developing multimedia, personal communications and advanced intelligent network services.

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. ("Sygma"), was established as a 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. These two subsidiaries became divisions of Sygma on January 1, 1996. Bell Canada also has a minority common equity interest in Bell-Northern Research Ltd.

BCE Inc. ("BCE") 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 Limited, a BCE subsidiary.

RECENT DEVELOPMENTS

AT&T's Expanded Role in Unitel

On October 16, 1996, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued its finding that AT&T Canada Long Distance Services (formerly Unitel Communications Inc.) is eligible to operate in Canada as a telecommunications carrier. The finding follows an application filed with the CRTC on April 3, 1996 by Bell Canada and other Stentor companies which asked the CRTC to conduct an open, public proceeding to clarify the terms and conditions surrounding AT&T's expanded role in Unitel.

Restructuring of Residential Local Rates

On November 26, 1996, the CRTC approved Bell Canada's September 5, 1996 application to bring prices in lower residential rate groups closer to price levels in upper rate groups, and to reduce the number of rate groups from nineteen to eleven. The additional revenue will be reinvested to modernize the network through the replacing of analog equipment with digital equipment.

Employee Relations

On December 4, 1996, Bell Canada and the Canadian Telephone Employees' Association, representing the communications sales employees, signed a three-year collective agreement expiring on December 31, 1999.

Forbearance from Long Distance Services

On November 22, 1996, Stentor, acting on behalf of Bell Canada and other Stentor companies, filed a submission seeking CRTC forbearance from regulating the companies' long distance services. The submission is in response to Public Notice 96-26 which initiated a public proceeding to examine the issue of forbearance from regulation of long distance services provided by Bell Canada and other Stentor companies. The submission addresses each of the conditions set out by the CRTC as necessary prerequisites for forbearance. The written proceeding is scheduled to end April 21, 1997. Stentor has asked the CRTC to issue a determination in this matter as expeditiously as possible.

INTEREST AND ASSET COVERAGES

The following financial ratios are calculated based on financial information as at, or for the twelve months ended December 31, 1995 and September 30, 1996 and, to the extent not already reflected in such financial information, give effect to (i) this issue of Series 2 Subordinated Debentures; (ii) the redemption prior to maturity on February 15, 1996 of \$150 million principal amount of 9.40% Debentures, Series DC, Due 2002 at a price equal to 100.45% of the principal amount; (iii) the issue on April 17, 1996 of \$125 million principal amount of 8.875% Subordinated Debentures, Series I, Due 2006; (iv) the redemption prior to maturity on May 1, 1996 of \$125 million principal amount of 13%% Debentures, Series DM, Due 2000 at a price equal to 101.875% of the principal amount; (v) the repayment at maturity on May 21, 1996 of \$100 million principal amount of 9.875% Debentures, Series 3; (vi) the issue on June 13, 1996 of \$150 million principal amount of 7¼% Debentures, Series EY, Due 2001 at a price equal to 101.375% of the principal amount; (vii) the redemption prior to maturity on November 5, 1996 of \$150 million principal amount of 9%% Debentures, Series DR, Due 2006 at a price equal to 102.5% of the principal amount plus accrued interest; and (viii) the repayment at maturity on November 15, 1996 of \$150 million principal amount of 9%% Debentures, Series EI, Due 1996:

DETAILS OF THE OFFERING

General

The following is a brief summary of the material attributes and characteristics of the 7.65% Subordinated Debentures, Series 2, Due 2031 of Bell Canada, to be dated December 30, 1996 and to mature December 30, 2031. This summary does not purport to be complete and for full particulars reference is made to the Indenture referred to below.

The Series 2 Subordinated 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 2 Subordinated Debentures, at the holder's option.

Indenture

The Series 2 Subordinated Debentures are to be issued under an indenture dated as of April 17, 1996 and indentures supplemental thereto, executed by Bell Canada in favour of Montreal Trust Company, as Trustee, including a second supplemental indenture to be executed by Bell Canada in favour of Montreal Trust Company, as Trustee (hereinafter collectively referred to as the "Indenture"). The second supplemental indenture will provide for the creation of \$500,000,000 aggregate principal amount of Series 2 Subordinated 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 subordinated debentures to be issued under the Indenture are collectively referred to as the "Subordinated Debentures".

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

Interest and Option to Extend Interest Payment Period

Interest on the Series 2 Subordinated Debentures will be payable at the rate of 7.65% per annum half-yearly on June 30 and December 30.

The Indenture will provide that Bell Canada will have the right, at its option, to elect to extend from time to time an interest payment period for a term not exceeding 5 years (the "Extension Period"), provided that the Extension Period shall terminate on an interest payment date on which interest would otherwise have been payable and that the Extension Period shall not extend beyond the maturity of the Series 2 Subordinated Debentures.

Prior to the expiration of the Extension Period, Bell Canada shall have the right from time to time to increase the term of such Extension Period, provided that, following any such increases, the term of the Extension Period shall not exceed 5 years or extend beyond the maturity of the Series 2 Subordinated Debentures. At the expiration of the Extension Period Bell Canada shall pay all interest then accrued and unpaid on the Series 2 Subordinated Debentures together with interest thereon at the interest rate specified for the Series 2 Subordinated Debentures. Upon the termination of any Extension Period and the payment of all amounts then due, Bell Canada shall have the right to elect a new Extension Period.

The Indenture will provide that during any Extension Period Bell Canada shall not: (i) declare, pay or set apart for payment any dividends on the common shares of Bell Canada or any class or series of preferred shares of Bell Canada; or (ii) except in connection with the exercise of a shareholder's right to require Bell Canada to redeem shares of Bell Canada in accordance with the terms and conditions attaching thereto, call for redemption, redeem, purchase or otherwise retire for value or make any capital distribution on or in respect of the common shares of Bell Canada or any class or series of preferred shares of Bell Canada.

No interest during an Extension Period, except at the expiration thereof, shall be due and payable. Bell Canada shall give the holders of the Series 2 Subordinated Debentures notice of its selection of such Extension Period or increase in the term thereof at least 10 business days prior to the next interest payment date.

Form and Denominations

The Series 2 Subordinated Debentures will be available in fully registered form only, in denominations of \$1,000 or any multiple of \$1,000.

	Twelve months ended	
	September 30, 1996 ⁽¹⁾	December 31, 1995
Earnings coverage of interest on long term debt of Bell Canada	3.3 times	3.0 times
Net tangible asset coverage for each \$1,000 of long term debt:		
Before deduction of deferred income taxes	2.4 times	2.5 times
After deduction of deferred income taxes	2.1 times	2.1 times

(1) Based on unaudited financial information.

PLAN OF DISTRIBUTION

Under an agreement dated December 10, 1996, between Bell Canada and RBC Dominion Securities Inc., Goldman Sachs Canada, CIBC Wood Gundy Securities Inc., Nesbitt Burns Inc., Midland Walwyn Capital Inc., Lévesque Beaubien Geoffrion Inc., ScotiaMcLeod Inc. and TD Securities Inc., as underwriters (the "Underwriters"), Bell Canada has agreed to sell and the Underwriters have agreed to purchase on December 30, 1996, or on such later date as may be agreed upon, but in any event not later than January 27, 1997, all but not less than all of \$150,000,000 principal amount of Series 2 Subordinated Debentures at a price of \$99.541 per \$100 of such principal amount of Series 2 Subordinated 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 2 Subordinated 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 2 Subordinated 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 2 Subordinated 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 2 Subordinated Debentures. The Underwriters' overall compensation will increase or decrease by the amount by which the aggregate price paid for the Series 2 Subordinated 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 2 Subordinated Debentures if any Series 2 Subordinated Debentures are purchased under such agreement.

In connection with this offering, the Underwriters may over-allot the Series 2 Subordinated Debentures offered by this short form prospectus or effect transactions which stabilize or maintain the market price of such Series 2 Subordinated 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 2 Subordinated 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 2 Subordinated 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 2 Subordinated 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.

USE OF PROCEEDS

The net proceeds from the sale of the Series 2 Subordinated Debentures offered hereby, after deducting offering expenses and the underwriting fee, will be added to the general funds available to Bell Canada to meet its cash requirements.

The Series 2 Subordinated Debentures in any authorized denomination will be exchangeable for an equal aggregate principal amount of Series 2 Subordinated Debentures in any other authorized denomination.

Transferability

The Series 2 Subordinated Debentures will be transferable at the offices of the Registrar, The R-M 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 the Series 2 Subordinated Debentures offered by this short form prospectus.

Redemption

The Series 2 Subordinated Debentures will be redeemable, at Bell Canada's option, in whole at any time or in part from time to time, at any time prior to maturity, upon prior notice of not less than 30 days nor more than 60 days, at a price equal to the higher of the Canada Yield Price (as defined below) and 100% of the principal amount, together in each case with accrued interest, if any, to the date fixed for redemption.

"Canada Yield Price" shall mean a price equal to the price of the Series 2 Subordinated Debentures calculated to provide a yield to maturity, compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield plus 0.15% on the business day preceding the date of the resolution authorizing the redemption. "Government of Canada Yield" on any date shall mean 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 at 100% of its principal amount on such date with a term to maturity equal to the remaining term to maturity of the Series 2 Subordinated Debentures. The Government of Canada Yield, in the case of redemption of the Series 2 Subordinated Debentures, will be the average of the yields provided by two registered Canadian investment dealers selected by Bell Canada.

In case of partial redemption the Series 2 Subordinated Debentures to be redeemed will be selected by the Trustee by lot.

Open Market Purchases

Bell Canada will have the right at any time and from time to time to purchase Series 2 Subordinated Debentures in the market, by tender or by private contract at any price.

Subordination

The Indenture provides that the indebtedness evidenced by the Subordinated Debentures is subordinate in right of payment to the prior payment in full of all Senior Debt of Bell Canada, whether outstanding on or incurred after the date of the Indenture. Senior Debt is defined, in effect, as the principal of, premium, if any, interest on and other amounts in respect of (i) indebtedness, other than indebtedness represented by the Subordinated Debentures, issued, assumed or guaranteed by the Corporation for borrowed money or for the deferred purchase price of property; (ii) all other liabilities of Bell Canada; and (iii) renewals, extensions or refundings of any such indebtedness, except, in each case, those which by their terms rank in right of payment equally with or subordinate to the Subordinated Debentures.

In the event of the insolvency or winding-up of Bell Canada the holders of all Senior Debt are entitled to receive payment in full before the holders of the Subordinated Debentures are entitled to receive any payment. Notwithstanding the subordination provisions, Bell Canada may, except during any such insolvency or winding-up proceedings, make payments of principal of, premium, if any, and interest on the Subordinated Debentures.

As a result of these subordination provisions, in the event of Bell Canada's insolvency, holders of the Subordinated Debentures may recover rateably less than general creditors of Bell Canada.

Events of Default

The Indenture provides that any of the following constitute an event of default: (i) default in the payment of the principal of or premium, if any, on the Subordinated Debentures when the same becomes due and payable; (ii) default in the payment of any instalment of interest on the Subordinated Debentures when the same becomes due and payable and continuation of such default for a period of 90 days; (iii) default in the payment of any purchase or sinking fund instalment on any Subordinated Debenture when the same shall become due and payable and continuation of such default for a period of 30 days; (iv) default in the performance or observance of any covenant, agreement or condition of the Indenture and continuation of such default for a period of 90 days after written notice has been given by the Trustee to Bell Canada specifying such default and requiring Bell Canada to remedy the same or after written notice by the holders of not less than 25% in principal amount of the Subordinated Debentures at the time outstanding; and (v) certain events of insolvency or bankruptcy and continuation of such event for a period of 60 days.

July 1, 1976 Trust Indenture

The trust indenture dated as of July 1, 1976 executed by Bell Canada in favour of The Royal Trust Company as trustee, providing for the creation and issue of debentures, which debentures constitute Senior Debt for the purposes of the Indenture, contains provisions setting forth events which constitute events of default. Such events of default include events substantially similar to those provided for in the Indenture and also include a default in payment at maturity or acceleration of the maturity of other indebtedness for borrowed money in an aggregate principal amount in excess of 5% of the aggregate principal amount of all outstanding indebtedness for borrowed money of Bell Canada (a "cross default"). At September 30, 1996, Bell Canada had outstanding under the July 1, 1976 trust indenture and other indentures or agreements providing for the issue of indebtedness for borrowed money which contain substantially similar cross default provisions, indebtedness in the aggregate principal amount of approximately \$6.4 billion. In addition, at September 30, 1996 Bell Canada had outstanding short term indebtedness for borrowed money in the aggregate principal amount of approximately \$280 million which does not have cross default provisions but which does constitute Senior Debt for the purposes of the Indenture.

Modification

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

Ratings

This offering has been rated (i) A (Low) by Canadian Bond Rating Service ("CBRS"), the third highest rating category of CBRS; (ii) A (low) by Dominion Bond Rating Service Limited ("DBRS"), the third highest rating category of DBRS; (iii) A2 by Moody's Investors Service, Inc. ("*Moody's*"), the third highest rating category of Moody's; and (iv) A by Standard & Poor's Corporation ("*S&P*"), the third highest rating category of S&P. The ratings herein mentioned are not a recommendation to buy, sell or hold the Series 2 Subordinated Debentures and they may be subject to revision or withdrawal at any time by the respective rating organizations.

INCOME TAX CONSIDERATIONS

In the opinion of McMaster Meighen, a general partnership, and Lafleur Brown, a general partnership, the following summary fairly presents the principal Canadian federal income tax considerations generally applicable to a prospective purchaser of the Series 2 Subordinated Debentures resident in Canada who holds the Series 2 Subordinated Debentures as capital property.

This summary is based upon the current provisions of the *Income Tax Act* (Canada) (the "Act") and the regulations thereunder and also takes into account proposed amendments to the Act and regulations publicly announced by the Minister of Finance prior to the date hereof (assuming such amendments are enacted as proposed) and upon counsels' understanding of the current administrative practices of Revenue Canada, Customs, Excise and Taxation. This summary does not take into account provincial or foreign income tax legislation.

This summary is of a general nature only and should not be interpreted as legal or tax advice to any particular purchaser. Prospective purchasers should consult their own tax advisers with respect to their individual circumstances.

Taxation of Interest — Annual Inclusion in Income

A holder of Series 2 Subordinated Debentures that is a corporation, partnership, unit trust or any other trust of which a corporation or a partnership is a beneficiary must include in its income for any taxation year in which it holds Series 2 Subordinated Debentures any interest that accrues on such Series 2 Subordinated Debentures to the end of any such taxation year, whether or not such interest was paid, to the extent that the interest was not included in computing its income for a preceding taxation year. Any other holder of Series 2 Subordinated Debentures who holds Series 2 Subordinated Debentures on any "anniversary day" of the Series 2 Subordinated Debentures that occurs in any given taxation year of the holder must include in his income for such taxation year the interest that accrued to him to the end of that anniversary day, whether or not such interest was paid, to the extent that the interest was not otherwise included in computing his income for such taxation year or any preceding taxation year. An "anniversary day" of a Series 2 Subordinated Debenture means the day that is one year after the day immediately preceding the date of issue of the Series 2 Subordinated Debenture, the day that occurs at every successive one year interval thereafter or the day of disposition of the Series 2 Subordinated Debenture.

Dispositions of Series 2 Subordinated Debentures

A holder who disposes of or is deemed to dispose of a Series 2 Subordinated Debenture, including the disposition by virtue of its redemption at maturity, will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition of the Series 2 Subordinated Debentures, less any costs of disposition, exceed (or are exceeded by) the holder's adjusted cost base thereof at the time of disposition. Where a Series 2 Subordinated Debenture is disposed of or is deemed to be disposed of in a taxation year for an amount equal to its fair market value at the time of disposition, the holder will be entitled to a deduction in computing his income for that taxation year equal to the excess of all interest included in computing the holder's income for that taxation year or a preceding taxation year over the interest received or receivable by the holder in that taxation year or a preceding taxation year.

TRANSFER AGENT AND REGISTRAR

The register for the Series 2 Subordinated Debentures will be kept at the principal office of the Registrar, The R-M Trust Company, in Montréal, and facilities for registration, exchange and transfer of the Series 2 Subordinated Debentures will be maintained at the principal offices of the Registrar 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: December 18, 1996

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) V. W. SALVATI
Group Vice-President and
Chief Financial Officer

On behalf of the Board of Directors:

Director

(Signed) W. CHIPPINDALE

Director

(Signed) J. V. R. CYR

CERTIFICATE OF UNDERWRITERS

Dated: December 18, 1996

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. **GOLDMAN SACHS CANADA**
By: GOLDMAN SACHS CANADA INC. **CIBC WOOD GUNDY**
SECURITIES INC. **NESBITT BURNS INC.**

By: (Signed) JEFFREY SISE DRUMMOND By: (Signed) DAVID J. GLUSKIN By: (Signed) DAVID CLIFFORD By: (Signed) LUC BACHAND

MIDLAND WALWYN CAPITAL INC. **LÉVESQUE BEAUBIEN GEOFFRION INC.** **SCOTIAMCLEOD INC.** **TD SECURITIES INC.**

By: (Signed) GARY LITTLEJOHN By: (Signed) PAUL BÉLAND By: (Signed) STEVEN R. ABRAMS By: (Signed) DOUGLAS CLARK

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 Bank;

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

CIBC WOOD GUNDY SECURITIES INC.: wholly-owned by the CIBC Wood Gundy Corporation, a majority-owned subsidiary of a Canadian Bank;

NESBITT BURNS INC.: a wholly-owned subsidiary of The Nesbitt Burns Corporation Limited, a wholly-owned subsidiary of a Canadian Bank;

MIDLAND WALWYN CAPITAL INC.: wholly-owned subsidiary of Midland Walwyn Inc.;

LÉVESQUE BEAUBIEN GEOFFRION INC.: wholly-owned by Lévesque, Beaubien and Company Inc., a majority-owned subsidiary of a Canadian Bank;

SCOTIAMCLEOD INC.: wholly-owned by a Canadian Bank; and

TD SECURITIES INC.: wholly-owned subsidiary of a Canadian Bank.