

*This 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 any 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.*

*Information has been incorporated by reference in this prospectus from documents filed by Bell Canada with securities commissions or similar authorities in Canada (the permanent information record in Quebec). Copies of the documents incorporated herein by reference may be obtained on request from the Underwriters upon payment of a reasonable charge for photocopying.*

## Initial Public Offering

# **PRINCIPAL RESIDUES and INTEREST COUPONS Derived by COUPON CORPORATION LTD. from a \$125,000,000, 10.75% Debenture, Series EG, Due April 15, 2021 of Bell Canada**

Coupon Corporation Ltd. will purchase from the Underwriters a \$125,000,000 aggregate principal amount unsecured 10.75% Debenture of Bell Canada in conventional form, Series EG, due April 15, 2021 at the price at which the Underwriters purchased such Debenture from Bell Canada, being \$101.93 per \$100 principal amount thereof (\$127,412,500). Coupon Corporation Ltd. will resell to the Underwriters the principal residue of the Debenture and interest coupons in bearer form derived from such Debenture at an aggregate price of \$127,937,500. The principal residue of the Debenture and interest coupons in bearer form will be deposited with a Custodian as agent for the purchasers of interests therein (which interests are referred to herein as the "Principal Residues" and "Interest Coupons", respectively). Coupon Corporation Ltd. will be responsible for the expenses of offering of the Principal Residues and Interest Coupons, estimated to be \$500,000.

**There is no market through which the Principal Residues and Interest Coupons may be sold. The Underwriters have agreed, on a best efforts basis, to make a market for Principal Residues and Interest Coupons, however, there can be no assurance that a market for particular Principal Residues and Interest Coupons will be available at any time. See "Best Efforts Market". The market price of Principal Residues and Interest Coupons is more volatile than that of conventional interest bearing debt securities. See "Risk Factors".**

**None of Bell Canada, its officers, directors or its auditors have any statutory liability with respect to the accuracy or completeness of any information contained in this prospectus. See "Indemnity".**

**The Canadian federal income tax consequences of investing in Principal Residues and Interest Coupons are complex. See "Tax Considerations".**

In the opinion of counsel, the Principal Residues and Interest Coupons will qualify for investment under the statutes set out under "Eligibility for Investment".

The Underwriters are offering the Principal Residues and Interest Coupons of \$125,000,000 principal amount of the Debenture. Each such Principal Residue and Interest Coupon will entitle the holder to a single fixed payment on its maturity or payment date. Each Interest Coupon will be payable in a single payment on a date which is either April 15 or October 15 of a year commencing October 15, 1991 and ending April 15, 2021. The Principal Residues mature on April 15, 2021.

The Principal Residues and Interest Coupons will be sold by the Underwriters at such prices and at such rates of commission as may be negotiated between each purchaser and an Underwriter at the time of sale. In quoting a price, an Underwriter shall also advise the purchaser of the annual yield to maturity, based on such price, of the Principal Residue or Interest Coupon being purchased. **The Underwriters have agreed to grant a contractual right of withdrawal to purchasers in those provinces in which statutory rights of withdrawal are available. See "Purchaser's Contractual Rights of Withdrawal".**

## **Price: Principal Residues and Interest Coupons: Rates on Application**

We, as principals, conditionally offer the Principal Residues and Interest Coupons, subject to prior sale, if, as and when the Debenture is issued by Bell Canada and accepted by, and Principal Residues and Interest Coupons are sold to the Underwriters by, Coupon Corporation Ltd. and subject to the approval of certain legal matters on our behalf by McCarthy Tétrault and on behalf of Coupon Corporation Ltd. by Davies, Ward & Beck.

**Coupon Corporation Ltd. is wholly-owned by the Underwriters and is a related and connected issuer of the Underwriters under applicable securities legislation by virtue of the Underwriters' control of Coupon Corporation Ltd. Coupon Corporation Ltd. has been incorporated solely for the purpose of this offering. See "Plan of Distribution" and "Promoters".**

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 Principal Residue Receipts and Interest Coupon Receipts evidencing the Principal Residues and Interest Coupons, respectively, which will be held by The Canadian Depository for Securities Limited with the interests of purchasers of Principal Residues and Interest Coupons recorded in its book-based system, will be available for delivery at closing on or about April 15, 1991, but in any event, not later than May 8, 1991. Purchasers will not be entitled to have Principal Residue Receipts or Interest Coupon Receipts registered in their name nor the right to obtain delivery of the principal residue of the Debenture or the bearer form interest coupons in which such purchaser has an interest. See "Details of the Offering — Transfers".



*Offices in Principal Cities across Canada, New York, London and Zurich*

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
PROSPECTUS SUMMARY .....	3	Modification .....	11
Coupon Corporation Ltd .....	3	DEBENTURE RATING .....	12
Bell Canada .....	3	DETAILS OF THE OFFERING .....	12
The Offering .....	3	Custodian and Agency Agreement .....	12
Issue .....	3	Transfers .....	13
Price .....	3	Bearer Form Interest Coupons .....	13
Minimum Purchase .....	3	Principal Residue of the Debenture .....	13
Custodian .....	3	Sharing of Principal Payments Prior to	
Transfers .....	4	Maturity .....	13
Payments .....	4	Modification of the Debenture and other	
Sharing of Principal Payments Prior to		Special Matters .....	14
Maturity .....	4	RISK FACTORS .....	15
Risk Factors .....	4	Secondary Market and Liquidity .....	15
Income Tax Considerations .....	5	Price Volatility .....	15
Indemnity .....	5	Credit Considerations .....	16
Asset and Interest Coverages of Bell Canada	5	BEST EFFORTS MARKET .....	16
ELIGIBILITY FOR INVESTMENT .....	6	ASSET AND INTEREST COVERAGES ...	16
COUPON CORPORATION LTD. ....	6	TAX CONSIDERATIONS .....	17
INDEMNITY .....	7	Canadian Income Tax Considerations .....	17
CONTINUOUS DISCLOSURE OF THE		Periodic Accrual of Notional Income .....	17
COMPANY .....	7	Payment on Maturity or Prior Disposition ...	17
BELL CANADA .....	7	LEGAL OPINIONS .....	17
Documents Incorporated by Reference .....	8	PROMOTERS .....	17
PLAN OF DISTRIBUTION .....	8	MANAGEMENT .....	18
USE OF PROCEEDS .....	9	CUSTODIAN .....	18
TERMS OF THE DEBENTURE .....	9	MATERIAL CONTRACTS .....	18
Form .....	9	PURCHASER'S STATUTORY RIGHTS ...	19
Indenture .....	9	PURCHASER'S CONTRACTUAL RIGHTS	
Sinking Fund .....	9	OF WITHDRAWAL .....	19
Redemption .....	9	CERTIFICATE OF THE COMPANY AND	
Ranking .....	10	THE PROMOTERS .....	20
First Mortgage Trust Indenture .....	10	CERTIFICATE OF THE UNDERWRITERS	21
Covenants .....	10		

## PROSPECTUS SUMMARY

*This is a summary only and is qualified by more detailed information appearing in, or incorporated by reference in, this prospectus.*

### Coupon Corporation Ltd.

Coupon Corporation Ltd. (the "Company") is a company incorporated solely for the purpose of this offering. All of the issued shares of the Company are owned by the Underwriters. The Company has agreed to purchase from the Underwriters a \$125,000,000, 10.75% Debenture, Series EG, due April 15, 2021 of Bell Canada in conventional form and has agreed to sell the principal residue and the interest coupons of such Debenture to the Underwriters. **The Company has no assets or liabilities other than the indemnity described under "Indemnity".**

### Bell Canada

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 Quebec and in the Northwest Territories. Bell Canada owns a 100% interest in the Directory Business division of Tele-Direct (Publications) Inc. which is engaged in the sale of telephone directory advertising and in the publishing of white pages and Yellow Pages\* directories for Bell Canada. In addition, Bell Canada has minority common equity interests in Telesat Canada, which is engaged in the provision of satellite communications services principally between locations within Canada, and in Bell-Northern Research Ltd., an industrial research and development organization.

### The Offering

- Issue:** Interests in the principal residue of a \$125,000,000, 10.75% Debenture, Series EG, due April 15, 2021, of Bell Canada (referred to herein as the "Principal Residues") and interests in interest coupons in bearer form detached therefrom (referred to herein as "Interest Coupons"). The \$125,000,000, 10.75% Debenture, Series EG, will mature on April 15, 2021. The semi-annual interest coupons attached thereto will be payable on April 15 and October 15 in each year commencing on October 15, 1991 and ending on April 15, 2021 at the rate of 10.75% per annum.
- Price:** Rates on application. In quoting a price for a Principal Residue or Interest Coupon, the Underwriter shall advise the purchaser of the annual yield to maturity of the Principal Residues and Interest Coupons being purchased based on such price. The Underwriters have agreed to grant a contractual right of withdrawal to purchasers in those provinces in which statutory rights of withdrawal are available pursuant to which such purchasers may withdraw from an agreement to purchase Principal Residues or Interest Coupons until the later of two business days (i) after receipt or deemed receipt of this prospectus and any amendment thereto, and (ii) after receipt of a confirmation slip from an Underwriter, which confirmation slip will confirm the purchase price for the Principal Residues or Interest Coupons purchased. See "Purchaser's Contractual Rights of Withdrawal".
- Minimum Purchase:** \$5,375 face amount of Interest Coupons or \$100,000 face amount of Principal Residues.
- Custodian:** Montreal Trust Company of Canada (the "Custodian") will act on behalf of the purchasers of Principal Residues and Interest Coupons as custodian of the principal residue of the Debenture and the bearer form interest coupons detached therefrom in which such purchasers have an interest which will be held in a segregated custodian account, and will deliver to The Canadian Depository for Securities Limited ("CDS") for recording in its book-based system, Principal Residue Receipts and Interest Coupon Receipts registered in the name of a nominee of CDS evidencing the Principal

---

\*Trade mark

Residues and Interest Coupons purchased. See “Details of the Offering — Custodian and Agency Agreement”.

**Transfers:**

Registrations and transfers of Principal Residues and Interest Coupons will be effected through the book-based system administered by CDS. **A purchaser of Principal Residues or Interest Coupons will not have the right to become the registered owner of a Principal Residue Receipt or an Interest Coupon Receipt nor the right to obtain delivery of the principal residue of the Debenture or the bearer form interest coupons in which such purchaser has an interest.** See “Details of the Offering — Transfers”.

**Payments:**

Upon receipt by the Custodian of the full amount due on the payment date of each Interest Coupon or the maturity date of the Principal Residues the Custodian will send a cheque to CDS as the registered holder of the applicable Interest Coupon Receipt in payment of such Interest Coupon, or as the registered holder of the Principal Residue Receipt in payment of the Principal Residues. CDS will pay such amount to its participants shown on its book-based system as the holders of the applicable Principal Residues or Interest Coupons. Each such participant will in turn pay the applicable amount to the holders of applicable Principal Residues or Interest Coupons shown as such on its records. Provided the Custodian receives the full amount mentioned above on the specified payment date all payments will be made by the Custodian on the payment date of each Interest Coupon or the maturity date of the Principal Residues, as the case may be. See “Details of the Offering — Bearer Form Interest Coupons and Principal Residue of the Debenture”.

**Sharing of Principal Payments Prior to Maturity:**

The Custodian and Agency Agreement provides that any amount of principal received by the Custodian as the registered holder of the Debenture prior to the stated maturity date of the principal residue of the Debenture as a result of a default pursuant to the Debenture and acceleration of the maturity of the Debenture as provided in the Debenture or otherwise will be shared between the holders of the Interest Coupons whose payment date has not occurred and the Principal Residues. Such sharing will be made pro rata among all holders of Principal Residues and such Interest Coupons on the basis of the proportionate present values of each Principal Residue and each such Interest Coupon at such time. See “Details of the Offering — Sharing of Principal Payments Prior to Maturity”.

**Risk Factors:**

The market price of Interest Coupons and Principal Residues will be more volatile than the price of a conventional interest bearing debt security with the same risk and term to maturity. The primary reason for such volatility is the fact that no interest is paid in respect of a Principal Residue or Interest Coupon prior to its respective maturity or interest payment date. **There is, therefore, no opportunity to reinvest interest payments at prevailing rates of interest prior to maturity.** Regardless of interim price volatility, caused by changing interest rates, Interest Coupons and Principal Residues held to the payment or maturity date will be redeemed at the stated face amount. See “Risk Factors — Price Volatility”.

Interest coupons stripped from debt obligations and residues of such obligations trade in dealer or over-the-counter markets as is the case for most conventional debt securities. While the Underwriters intend to make a market for the Interest Coupons and the Principal Residues, there can be no assurance that a market for particular Interest Coupons and Principal Residues will be available at any given time. See “Best Efforts Market”. In such circumstances, purchasers may have to hold their Interest Coupons or Principal Residues to their respective payment or maturity dates to realize their investment. See “Risk Factors — Secondary Market and Liquidity”.

The credit exposure for interest coupons and principal residues stripped from debt obligations is higher than for conventional debt obligations in the event of a deterioration in the business prospects of an issuer or in the event of the insolvency of an issuer which issued the underlying debt obligations because, unlike a conventional

debt security, an investor receives no interest payments prior to maturity. See "Risk Factors — Credit Considerations".

**Income Tax Considerations:**

Holders of Principal Residues or Interest Coupons will be required annually to include in income notional interest accrued on their Principal Residues or Interest Coupons from the date of purchase, notwithstanding that no interest will have been payable or received. The compounding feature of the notional interest accrued results in yearly increasing notional interest amounts as the Principal Residues and Interest Coupons approach maturity. See "Tax Considerations".

**Indemnity:**

None of Bell Canada, its officers, directors or its auditors have any **statutory** liability with respect to the accuracy or completeness of any information contained in this prospectus. Pursuant to the Underwriting Agreement between the Underwriters and Bell Canada described under "Plan of Distribution", Bell Canada has agreed with the Underwriters to indemnify the Underwriters and any company wholly-owned by the Underwriters, which would include the Company, for any loss resulting, in effect, from the information regarding Bell Canada or the Debenture included or incorporated by reference in this prospectus containing a misrepresentation within the meaning of applicable securities legislation. See "Indemnity".

**Asset and Interest Coverages of Bell Canada:**

Interest Coverage on Long-Term Debt for the 12 months ended  
December 31, 1990: ..... 4.0 times

Net Tangible Asset Coverage per \$1000 of Long-Term Debt:  
Before deduction of deferred taxes, as at December 31, 1990: ..... 2.8 times  
After deduction of deferred taxes, as at December 31, 1990: ..... 2.5 times

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of McCarthy Tétrault, counsel to the Underwriters, and Davies, Ward & Beck, counsel to Coupon Corporation Ltd., the Principal Residues and Interest Coupons will be, at the date of closing, eligible investments for:

- (i) insurance companies regulated under the Canadian and British Insurance Companies Act (Canada) or insurers incorporated or organized under the Insurance Act (Ontario);
- (ii) loan companies regulated under the Loan Companies Act (Canada) and trust companies regulated under the Trust Companies Act (Canada); and
- (iii) pension funds regulated under the Pension Benefits Standards Act, 1985 (Canada).

In the opinion of such counsel, the provisions of the Loan and Trust Corporations Act, 1987 (Ontario) and the Regulations thereunder would not, subject to compliance with the prudent investment standards and the general investment provisions of that Act, preclude funds received as deposits by loan corporations or trust corporations registered under that Act from being invested at the date of closing in the Principal Residues or Interest Coupons without resort to the so-called "basket" provisions thereof.

In the opinion of such counsel, the provisions of the Pension Benefits Act, 1987 (Ontario) and the Regulations thereunder would not preclude investment in the Principal Residues or the Interest Coupons at the date of closing by a pension fund registered thereunder which has adopted and filed a statement of investment policies and goals, as required, subject to the prudent investment criteria and the general investment provisions thereof, and provided that the Principal Residues or the Interest Coupons are within a category of investment specifically permitted and for which guidelines have been established in such statement.

In the opinion of such counsel, the provisions of an Act respecting insurance (Quebec) would not preclude an insurance company subject to that Act, other than a mutual association or a professional corporation governed by the Professional Code (Quebec) or a guarantee fund corporation, from investing in the Principal Residues or the Interest Coupons, at the date of closing, subject to the prudent investment standards for the making of investment decisions as required by such Act and the general investment provisions of such Act.

In the opinion of such counsel, the provisions of an Act respecting trust companies and savings companies (Quebec) would not preclude a savings company subject to that Act from investing its own funds, and a trust company subject to that Act from investing its own funds as well as the deposits it receives, in the Principal Residues or the Interest Coupons, at the date of closing, subject to the prudent investment standards for the making of investment decisions as required by such Act and the general investment provisions of such Act and provided that, in the case of a Quebec company (as defined in that Act), such investment is in compliance with the Quebec company's investment policy adopted pursuant to such Act and approved by its board of directors.

In the opinion of such counsel, the provisions of the Supplemental Pension Plans Act (Quebec) and regulations thereunder would not preclude investment of the assets of a pension plan registered thereunder in the Principal Residues or the Interest Coupons, at the date of closing, subject to compliance with the prudent investment standards of such Act and subject to the general and specific investment provisions set out both therein, and in the written investment policy established and adopted by the pension committee of the pension plan.

In the opinion of such counsel, Interest Coupons and Principal Residues will be qualified investments for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans under the Income Tax Act (Canada) and may be held in such plans subject to the terms of the particular plan. Interest Coupons and Principal Residues are not foreign property for purposes of such Act.

## **COUPON CORPORATION LTD.**

Coupon Corporation Ltd. (the "Company") was incorporated under the laws of Ontario on March 6, 1991. The registered and principal office of the Company is at 1 First Canadian Place, Suite 5000, Toronto, Ontario, M5X 1H3. All of the issued share capital of the Company is owned by the Underwriters, in proportion to their underwriting commitment with respect to the purchase of the Debenture (as hereinafter defined) from Bell Canada. Pursuant to an agreement dated as of March 11, 1991 between the Company and the Underwriters (the "Purchase Agreement"), the Company will agree to purchase from the Underwriters a \$125,000,000, 10.75% Debenture, Series EG, due April 15, 2021, of Bell Canada in conventional form (the "Debenture") and will agree to sell to the

Underwriters the principal residue of the Debenture and the interest coupons in bearer form detached therefrom for distribution to the public of interests in the principal residue of the Debenture (the "Principal Residues") and interests in interest coupons in bearer form detached therefrom (the "Interest Coupons"). **The Company has no assets or liabilities other than the indemnity described below.** See "Indemnity", "Promoters" and "Management".

The Company will, as agent for the purchasers of the Principal Residues and Interest Coupons, enter into a Custodian and Agency Agreement to be dated April 15, 1991 (the "Custodian and Agency Agreement") whereby Montreal Trust Company of Canada (the "Custodian") will hold the principal residue of the Debenture custodially for the purchasers of Principal Residues and the bearer form interest coupons for the purchasers of Interest Coupons and will certify and deliver to The Canadian Depository for Securities Limited ("CDS") Principal Residue Receipts and Interest Coupon Receipts evidencing interests of such purchasers in the principal residue of the Debenture and the bearer form interest coupons detached therefrom. The ongoing expenses of the Company, including fees and expenses payable to the Custodian as described under "Details of the Offering — Custodian and Agency Agreement", if any, will be paid by the Underwriters.

### INDEMNITY

Pursuant to the Underwriting Agreement between the Underwriters and Bell Canada described under "Plan of Distribution", Bell Canada has agreed with the Underwriters to indemnify any company wholly-owned by the Underwriters, which would include the Company, for any loss resulting, in effect, from the information regarding Bell Canada included or incorporated by reference in this prospectus containing a misrepresentation within the meaning of applicable securities legislation. Pursuant to the Purchase Agreement, the Underwriters will be obligated and will enforce such indemnity in favour of the Company in the event that the Company becomes liable to any purchaser of Principal Residues or Interest Coupons in the manner described under "Purchaser's Statutory Rights" with respect to any misrepresentation under securities laws relating to such information concerning Bell Canada or the Debenture included in or incorporated by reference in this prospectus. None of Bell Canada, its officers, directors or its auditors have any **statutory** liability with respect to the accuracy or completeness of any information contained in this prospectus.

### CONTINUOUS DISCLOSURE OF THE COMPANY

The Company is the "issuer" of the Principal Residues and Interest Coupons for the purpose of securities legislation in each of the provinces of Canada and as a result of obtaining a receipt for this prospectus, the Company will become a "reporting issuer" pursuant to such securities legislation in certain of the provinces. After completion of this offering the Company's continued financial performance will not be relevant to a purchaser of Principal Residues or Interest Coupons and accordingly, the Company has applied for relief from the requirements in securities legislation to make continuous disclosure of its financial results. The Company has also applied for relief from all other forms of continuous disclosure requirements under applicable securities legislation. See "Details of the Offering — Custodian and Agency Agreement."

### BELL CANADA

Bell Canada, the issuer of the Debenture from which the Principal Residues and Interest Coupons were derived, 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, Quebec, 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 Quebec and in the Northwest Territories. Bell Canada owns a 100% interest in the Directory Business division of Tele-Direct (Publications) Inc. which is engaged in the sale of telephone directory advertising and in the publishing of white pages and Yellow Pages\* directories for Bell Canada. In addition, Bell Canada has minority common equity interests in Telesat Canada, which is engaged in the provision of satellite

---

\*Trade mark

communications services principally between locations within Canada, and in Bell-Northern Research Ltd., an industrial research and development organization.

BCE\* Inc. ("BCE"\*), directly and through one of its subsidiaries, owns all the outstanding voting shares of Bell Canada. BCE\* is a management holding corporation whose core businesses are the provision of telecommunications services and telecommunications equipment manufacturing. It has major interests in financial services and a number of other businesses.

#### **Documents Incorporated By Reference**

The information contained herein relating to Bell Canada is derived from Bell Canada's Annual Information Form dated February 27, 1991. Such Annual Information Form and the consolidated financial statements of Bell Canada for the year ended December 31, 1990 and the Auditors' Report thereon provided in Bell Canada's 1990 Annual Report, filed with the various securities commissions or similar authorities in Canada, including the Management Discussion and Analysis of Bell Canada specifically incorporated by reference in Bell Canada's Annual Information Form, are specifically incorporated by reference in, and form an integral part of, this prospectus.

Any annual information forms, material change reports (excluding confidential reports) and interim financial statements filed by Bell Canada with the various securities commissions or similar authorities in Canada after the date of this prospectus and prior to the termination of the offering made hereby shall be deemed to be incorporated by reference into this prospectus. The foregoing reports and other documents may be inspected at the offices of Nesbitt Thomson Deacon Ltd., Sun Life Centre, Sun Life Tower, 22nd Floor, 150 King Street West, Toronto, Ontario or at the offices of Burns Fry Limited, 50th Floor, 1 First Canadian Place, Toronto, Ontario or at the offices of Wood Gundy Inc., BCE Place, Canada Trust Tower, 161 Bay Street, P.O. Box 500, Toronto, Ontario or at the respective securities commissions and regulatory authorities (or their representatives which, in the case of the Ontario Securities Commission, is Micromedia Limited) at which they are filed, or may be obtained on request from the Underwriters upon payment of a reasonable charge for photocopying. More comprehensive financial and other information is contained in such reports and the foregoing summary is qualified by reference to such reports. The selected information which is referred to herein has been excerpted or derived from the above described Bell Canada publicly filed reports.

Prospective purchasers of Interest Coupons or Principal Residues are cautioned that a statement in a document incorporated by reference in this prospectus may be modified or superseded by a statement in a document filed subsequently with a securities commission or similar authority in Canada.

#### **PLAN OF DISTRIBUTION**

Under an agreement dated March 27, 1991, (the "Underwriting Agreement") between Bell Canada and the Underwriters, Bell Canada has agreed to sell, and the Underwriters have agreed to purchase, on April 15, 1991 or on such other date as may be agreed upon but in any event not later than May 8, 1991, subject to the terms and conditions stated therein, all but not less than all of the Debenture at a purchase price equal to \$101.93 per \$100 principal amount thereof (\$127,412,500). The total amount payable to Bell Canada for the Debenture is \$126,125,000, net of deduction of fees and expenses of the Underwriters payable by Bell Canada and the annual yield indicated by such net amount is 10.93%. The obligations of the Underwriters under the Underwriting Agreement may be terminated in the discretion of the Underwriters based upon their assessment of the state of the financial markets and may also be terminated by the Underwriters or by Bell Canada upon the occurrence of certain stated events.

Pursuant to the Purchase Agreement, the Underwriters will sell to the Company the Debenture at a price of \$101.93 per \$100 principal amount of the Debenture (\$127,412,500). The Company will sell to the Underwriters all of the principal residue and all of the interest coupons in bearer form attached to the Debenture at an aggregate price of \$127,937,500. Pursuant to such agreement, the Company will act as agent on behalf of the purchasers of Principal Residues and Interest Coupons from the Underwriters in entering into the Custodian and Agency Agreement and to pay the expenses of the Custodian and all expenses associated with the preparation of this

---

\*Trade mark



prospectus and the offering of the Principal Residues and Interest Coupons, which in the aggregate are estimated to be \$500,000.

The Underwriters will sell the Principal Residues and Interest Coupons at such prices and at such rates of commission as may be negotiated between the purchasers and the Underwriters which prices and rates may vary as between purchasers and from time to time during the period of distribution. In quoting a price for the Principal Residues and Interest Coupons, an Underwriter is required to advise the purchaser of the annual yield to maturity of the Principal Residues and Interest Coupons based on such price. Because Principal Residues and Interest Coupons may be sold at different prices at any time and from time to time, the yield to any purchaser may be greater or less than the interest rate on the Debenture.

The Underwriters' compensation will increase or decrease by the amount by which the aggregate price paid for the Principal Residues and Interest Coupons by purchasers exceeds or is less than the aggregate price paid by the Underwriters to the Company for such Principal Residues and Interest Coupons.

None of the Company, the Underwriters, any dealer involved in the distribution of the Principal Residues or Interest Coupons, associates or affiliates of any of them, or any person or company acting jointly or in concert with any of them, have or will in connection with the offering of Principal Residues and Interest Coupons over-allot or effect transactions which are intended to stabilize or maintain the market price of the Principal Residues and Interest Coupons.

### **USE OF PROCEEDS**

The Company will use \$127,412,500 of the proceeds from the sale of the Principal Residues and Interest Coupons to satisfy short term indebtedness incurred by the Company to the Underwriters in purchasing the Debenture. The remainder of such proceeds will be used by the Company to pay the expenses of issue estimated at \$500,000 and the excess, estimated at \$25,000, will be added to the general revenues of the Company and may be distributed to the Underwriters as shareholders of the Company. The Company is a related and connected issuer of the Underwriters. See "Promoters". Except as noted above and under "Plan of Distribution", the net proceeds of this offering will not be assigned for the benefit of the Underwriters.

### **TERMS OF THE DEBENTURE**

The following is a brief summary of the material attributes and characteristics of the Debenture. This summary does not purport to be complete and for full particulars reference is made to the Indenture referred to below.

#### **Form**

The Debenture, in the principal amount of \$125,000,000, is in registered form with semi-annual interest coupons in bearer form attached payable on April 15 and October 15 in each year commencing on October 15, 1991 and ending on April 15, 2021 at the rate of 10.75% per annum (\$6,718,750 per semi-annual interest payment).

#### **Indenture**

The Debenture is 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, as trustee, including a twenty-ninth supplemental indenture to be dated April 15, 1991 executed by Bell Canada in favour of The Royal Trust Company, as trustee (hereinafter collectively referred to as the "Indenture"). The twenty-ninth supplemental indenture will provide for the creation of \$500,000,000 aggregate principal amount of Debentures, Series EG. All debentures currently issued under the Indenture and outstanding are collectively referred to as the "Issued Debentures".

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

#### **Sinking Fund**

No sinking fund has been provided in respect of any Issued Debentures or First Mortgage Bonds of Bell Canada now outstanding, nor will any sinking fund be provided in respect of the Debenture.

#### **Redemption**

The Debenture may not be redeemed for any purpose prior to April 15, 2021.

## Ranking

In the opinion of counsel, the Issued Debentures, the Debenture, 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

As at December 31, 1990 Bell Canada had outstanding under its Trust Indenture and Mortgage, dated as of March 1, 1925 (the "First Mortgage Trust Indenture") between Bell Canada and The Royal Trust Company, as trustee (as supplemented by supplemental indentures confirming the liens thereof), First Mortgage Bonds in the aggregate principal amount of \$653,500,000 and U.S. \$418,000,000. Effective July 1, 1989 National Trust Company was appointed successor trustee under the First Mortgage Trust Indenture.

All the property of Bell Canada now owned or hereafter acquired and all securities now owned or hereafter acquired by Bell Canada are subject to the liens of the First Mortgage Trust Indenture.

The Indenture pursuant to which the Debenture is to be issued provides that nothing therein contained shall prevent Bell Canada from subjecting any property to the liens of the First Mortgage Trust Indenture or from taking any action deemed necessary by it in order to comply with the requirements of 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. Nothing contained in the Indenture shall in any way affect or be deemed to affect the liens created by the First Mortgage Trust Indenture on any property heretofore or hereafter acquired by Bell Canada, nor prevent Bell Canada from taking any action deemed necessary by it in order to comply with the requirements of the First Mortgage Trust Indenture.
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 Issued Debentures and the Debenture (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 Issued Debentures and the Debenture 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 the time of original issuance, assumption or guarantee without increasing the principal amount thereof) ranking equally with the Issued Debentures and the Debenture 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 66⅔% 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 provides that it, and the rights of the holders of Issued Debentures and the Debenture, may in certain circumstances be modified. For that purpose, among others, the Indenture contains provisions making Extraordinary Resolutions binding upon all holders of Issued Debentures and the Debenture. "Extraordinary Resolution" is defined, in effect, as a resolution passed at a meeting of debenture holders by the affirmative votes of the holders of at least 66⅔% of the aggregate principal amount of the Issued Debentures and the Debenture voted on the resolution at a meeting of debenture holders 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 66⅔% in aggregate principal amount of all outstanding Issued Debentures and the Debenture. In certain cases such as any proposed change to the date upon which the principal amount of the Debenture becomes due or payable or any proposal to change the rate of interest payable on the Debenture, the modification requires separate assent by the holders of the required percentage (66⅔%) of debentures of each series in addition to passage of an Extraordinary Resolution.

The Custodian, as the registered holder of the Debenture, will have the right to vote the Debenture in favour of any amendment thereto or to the Indenture, but by the terms of the Custodian and Agency Agreement may only do so when instructed by the holders of Principal Residues and Interest Coupons in the manner described herein under "Modification of the Debenture and Other Special Matters".

## DEBENTURE RATING

The Issued Debentures and the Debenture are rated A+ by Canadian Bond Rating Service and AA by Dominion Bond Rating Service.

## DETAILS OF THE OFFERING

The following is a summary of the material attributes and characteristics of the Principal Residues and Interest Coupons being offered hereunder and the Principal Residue Receipts and Interest Coupon Receipts which evidence such Principal Residues and Interest Coupons. The summary does not purport to be complete and reference is made to the Custodian and Agency Agreement referred to below for the complete description of the Principal Residue Receipts and the Interest Coupon Receipts and the definitive terms and conditions pursuant to which such receipts are issued and the Principal Residues and Interest Coupons are held.

### **Custodian and Agency Agreement**

Interest Coupons and Principal Residues are being offered for sale hereunder. Such Interest Coupons and Principal Residues will be evidenced by Interest Coupon Receipts and Principal Residue Receipts which will be delivered in registered form by the Custodian acting as agent of the purchasers under the Custodian and Agency Agreement, pursuant to which the principal residue of the Debenture and the bearer form interest coupons will be held by the Custodian on behalf of such purchasers in segregated custodial accounts. Principal Residue Receipts evidencing the Principal Residues and an Interest Coupon Receipt evidencing the Interest Coupons of a specified payment date will be certified by the Custodian in the name of a nominee of CDS and delivered to CDS to be lodged pursuant to its book-based system. The Company will enter into the Custodian and Agency Agreement as agent for the purchasers of Principal Residues and Interest Coupons who by purchasing such Interest Coupons and Principal Residues from the Underwriters will authorize the Company to enter into such agreement and will be bound by all of the terms of such agreement in respect of their rights as owners of Principal Residues and Interest Coupons.

The aggregate principal amount of Principal Residue Receipts and Interest Coupon Receipts that may be certified as outstanding under the Custodian and Agency Agreement is limited to \$125,000,000 of Principal Residues and \$6,718,750 of Interest Coupons payable on each of the 60 semi-annual interest payment dates until maturity of the Debenture. Principal Residue Receipts and Interest Coupon Receipts may only be certified, and Principal Residues and Interest Coupons may only be held, upon the terms and subject to the conditions provided in the Custodian and Agency Agreement.

The Custodian and Agency Agreement provides that the Custodian shall forward on a timely basis to participants in CDS for forwarding to beneficial holders of Principal Residues or Interest Coupons copies of all documents received by the Custodian as the registered holder of the Debenture. The Custodian will also deliver to participants in CDS for forwarding to such beneficial holders notice of an event of default pursuant to the Debenture promptly upon receiving notice of, or becoming aware of, same.

All initial and annual fees of the Custodian under the Custodian and Agency Agreement and other special costs as may result in the administration of the Custodian and Agency Agreement will be paid by the Company. **Any holders of Principal Residues and Interest Coupons who requisition a meeting of holders of Principal Residues and Interest Coupons will be required to pay the Custodian's fees for the costs of holding such meeting. See also "Modification of the Debenture and Other Special Matters".**

**The Custodian and Agency Agreement provides for an indemnity to be given to the Custodian by the holders of Principal Residues and Interest Coupons in respect of any liability incurred by the Custodian as a condition of any actions being taken by the Custodian to enforce its rights or the rights of the holders of Principal Residues or Interest Coupons, other than liability of the Custodian resulting from its negligence or bad faith.**

## Transfers

Transfers of Principal Residues and Interest Coupons will be effected through the book-based system administered by CDS. CDS maintains a computerized book-based system whereby participants in CDS (“Participants”) can make deliveries without the physical movement of securities certificates. Participants are primarily investment dealers, banks and trust companies. Security certificates representing the securities being traded (in this case Principal Residue Receipts and Interest Coupon Receipts) are deposited with CDS by Participants. After transfers have been agreed to by Participants, they instruct CDS to effect the transfer through book-entry deliveries. Book-entry deliveries are made by crediting an account of a Participant with certificates on deposit and debiting the account of another Participant in respect of such certificates. CDS calculates and reports the delivery and payment obligation of each Participant and each Participant makes a net payment to, or receives a net payment from, CDS.

Principal Residues and Interest Coupons may be acquired and held only through the book-based system of CDS. At closing, the Company will deposit the principal residue of the Debenture and each of the interest coupons with the Custodian, as agent for the purchasers of Principal Residues and Interest Coupons, and the Custodian will certify and deliver Principal Residue Receipts and Interest Coupon Receipts evidencing the Principal Residues and all of the Interest Coupons to CDS. These certificates will be held by CDS in fully registered form in the name of a nominee of CDS. Investors will hold their ownership of Principal Residues and/or Interest Coupons through a Participant. The Participant will be shown as the registered holder of the Principal Residues or Interest Coupons in the book-based system of CDS and the Participant will reflect the holder as the beneficial owner of the Principal Residues or Interest Coupons on the books of the Participant.

Principal Residues and Interest Coupons will be transferred, and deliveries of Principal Residues and Interest Coupons effected, through the book-based system of CDS. **Purchasers will not receive certificates representing their ownership positions in Principal Residues or Interest Coupons. Those positions will be reflected solely through appropriate entries in the book-based system of CDS and, if applicable, in the books of the Participant through whom a purchaser has acquired the Principal Residue or Interest Coupon.** Purchasers will receive confirmation slips confirming their purchase of Principal Residues and Interest Coupons. See “Purchaser’s Contractual Rights of Withdrawal”.

### Bearer Form Interest Coupons

Each bearer form interest coupon is payable in a single payment on a date which is either April 15 or October 15 of a year commencing on October 15, 1991 and ending April 15, 2021. The Custodian will hold such interest coupons custodially in segregated accounts pursuant to the Custodian and Agency Agreement. As each such interest coupon becomes payable, the Custodian shall present such interest coupon for payment or otherwise arrange for the payment thereof and shall pay, upon the receipt of such payment, such amount to CDS, which shall pay the applicable amount thereof to each Participant shown in the book-based system of CDS as the holder of the applicable Interest Coupon. The Participant will, in turn, pay the applicable amount to each holder of an Interest Coupon as shown on its records.

### Principal Residue of the Debenture

The principal residue of the Debenture is payable on April 15, 2021. The Custodian will hold such principal residue custodially in a segregated account pursuant to the Custodian and Agency Agreement. Upon receipt of payment of principal in respect of such principal residue upon maturity, the Custodian will pay such amount to CDS which will pay the applicable amount thereof to each Participant shown in the book-based system of CDS as the holder of Principal Residues. The Participant will, in turn, pay the applicable amount to each holder of a Principal Residue as shown on its records.

### Sharing of Principal Payments Prior to Maturity

The Custodian and Agency Agreement provides that any amounts of principal which are received by the Custodian as the registered holder of the Debenture prior to the stated maturity of the Debenture as a result of a default pursuant to the Debenture and acceleration of the maturity of the Debenture as provided in the Debenture or otherwise will be shared between the holders of Principal Residues and Interest Coupons whose payment date has not occurred. Any such sharing shall be made *pro rata* among the holders of such Interest Coupons and Principal Residues. The *pro rata* amounts applicable for each such Interest Coupon and Principal Residue will be calculated

by the Underwriters and one other investment dealer (independent of the Underwriters and Bell Canada) selected by the Custodian on the basis of the proportionate present value of the Principal Residue and each such Interest Coupon to its stipulated maturity or payment date, as the case may be. The present value of each such Interest Coupon and Principal Residue will be calculated by discounting the face amount thereof at the rate of interest which is equal to the Government of Canada Yield. "Government of Canada Yield" means, for each Interest Coupon whose payment date has not occurred and each Principal Residue, on any particular date, the yield to maturity compounded semi-annually which a non-callable Canadian dollar denominated Government of Canada bond would carry if issued at par in Canada on such date with a maturity equal to, or as near as possible to, the maturity date of the Principal Residue or the stipulated dates of payment for applicable Interest Coupons, as the case may be, as determined by the Underwriters and one other investment dealer (independent of the Underwriters and Bell Canada) selected by the Custodian. The method used for calculating the *pro rata* amounts attributable to each holder as set forth above is, for purposes of this prospectus, referred to as the "Calculation Method".

#### **Modification of the Debenture and other Special Matters**

The Custodian and Agency Agreement provides that the Custodian shall not vote the Debenture to amend its terms without the consent of the holders of 66⅔ percent or more of the Voting Allocations (as defined below) represented at a meeting called for such purpose. In addition to that requirement, any amendment which especially affects the holders of (i) the Principal Residues, (ii) the Interest Coupons or (iii) Interest Coupons of a particular payment date or dates, will not be consented to by the Custodian without the consent of 66⅔ percent or more of the Voting Allocation of the holders so especially affected. A proposal to extend the maturity date of the Debenture or reduce the principal amount thereof is deemed to especially affect the holders of Principal Residues and a proposal to extend the payment date of any bearer form interest coupon or reduce the amount thereof is deemed to especially affect the holders of Interest Coupons in respect of such bearer form interest coupon.

"Voting Allocation" means the number of votes each holder is granted for the purposes of a vote on the basis of one vote for each \$1,000 of economic value calculated as the amount obtained by multiplying the aggregate outstanding principal amount of the Debenture by a fraction, the numerator of which is equal to the aggregate of the present values of the holder's Interest Coupons and the present values of the holder's Principal Residues, in each case calculated in accordance with the Calculation Method, and the denominator of which is equal to the aggregate present values of all Interest Coupons and the Principal Residue, calculated in accordance with the Calculation Method. Because such Voting Allocation is based on present value, calculated as described above, not all Interest Coupons will have the same voting rights, the ones with a closer payment date having a higher present value and accordingly a higher Voting Allocation. The Voting Allocation of an Interest Coupon or a Principal Residue will increase over time as its relative present value increases and Interest Coupons with earlier payment dates are paid. Notwithstanding the foregoing, if any Interest Coupon or Principal Residue shall have matured but shall remain unpaid, the present value thereof shall be the face amount thereof. Purchasers will be advised of their respective Voting Allocations by the Participant through which the purchaser's Interest Coupons and Principal Residues are held through CDS after calculation and notification to CDS by the Custodian. **Bell Canada has authorized a maximum of \$500,000,000 Debentures to be issued under Series EG and, accordingly, in circumstances where a vote by the Custodian is made, as registered holder of the Debenture and in accordance with the provisions set out herein and in the Custodian and Agency Agreement, the effectiveness of such vote with respect to action taken on behalf of all Debentures, Series EG will be subject to votes of additional Debentures, Series EG holders if Bell Canada issues additional debt securities under Series EG.**

Any modification of the terms of the Custodian and Agency Agreement and the removal of the Custodian must also be consented to by 66⅔ percent or more of such Voting Allocation. A proposal to terminate the Custodian and Agency Agreement or to sell the Debenture or to distribute the proceeds of the Debenture is deemed to especially affect the holders of the Principal Residues and the holders of each Interest Coupon of a particular payment date or dates and accordingly requires the special approval of holders of Principal Residues and of each Interest Coupon of such particular payment date or dates as described above.

The Custodian and Agency Agreement also provides that the holders of Principal Residues and Interest Coupons shall have the power, exercisable by 66⅔ percent of the Voting Allocation, to instruct the Custodian to institute proceedings or take action in respect of the Principal Residues, the Interest Coupons or the Debenture, including acceleration or enforcement of the Debenture following an event of default. In addition, the holders of 66⅔ percent of any Interest Coupon in respect of any bearer form interest coupon of the Debenture which has

become due but remains unpaid may instruct the Custodian to take action for their exclusive benefit for the payment of such interest coupon.

The holders of not less than 10% of the aggregate Voting Allocation at any time shall have the right, upon paying the reasonable costs of the Custodian in such regard, to require the Custodian to call a meeting of the holders of Principal Residues and Interest Coupons to consider any modification of the terms of the Custodian and Agency Agreement, the removal of the Custodian or instructing the Custodian to institute proceedings or take action as described above.

Within three business days after the record date for any meeting of holders of Principal Residues or Interest Coupons fixed by the Custodian (which date will not be more than 20 days nor, if practicable, less than 10 days prior to the date of any meeting of holders of Principal Residues and Interest Coupons), the Custodian will obtain from CDS a list of Participants current as at the close of business on such record date. Within one business day after obtaining such list, the Custodian will request each Participant identified thereon to indicate to the Custodian the number of holders of Principal Residues and Interest Coupons on whose behalf such Participant held Principal Residues or Interest Coupons. Within four business days after making such request of Participants, the Custodian will send a sufficient number of the notice of meeting and copies of proxy-related materials to enable such Participant to mail a notice and copy of the proxy-related materials to each holder of Principal Residues and Interest Coupons on whose behalf such Participant holds Principal Residues or Interest Coupons.

At or before the time at which the Custodian sends to CDS the proxy-related materials relating to any meeting of holders of Principal Residues and Interest Coupons, the Custodian will request CDS to provide to the Custodian an omnibus proxy in the form usually utilized by CDS appointing the Participants then appearing on the list of Participants as proxies for CDS in respect of the holdings by such Participants of Principal Residues or Interest Coupons. Upon receipt by the Custodian of such omnibus proxy, the Custodian will place such omnibus proxy on file and the Participants upon whom authority is conferred under such omnibus proxy will be entitled to vote at such meeting in respect of their respective holdings of Principal Residues and Interest Coupons. A Participant shall vote at the meeting in accordance with the instructions of the holders of Principal Residues and Interest Coupons in whose name the Participant holds Principal Residues and Interest Coupons. Each holder of Principal Residues and Interest Coupons will be entitled to attend any meeting and vote by proxy its Principal Residues or Interest Coupons at any such meeting.

## RISK FACTORS

### Secondary Market and Liquidity

**Interest coupons stripped from debt obligations and residues of such obligations do not trade in Canada in an auction market similar to shares listed on a stock exchange.** Such interest coupons and residues normally trade in dealer or over-the-counter markets as is the case for most conventional debt securities. Certain interest coupons and residues that are available in Canada are offered by groups of investment dealers or financial institutions which may make markets for the interest coupons and principal residues they offer but are not obligated to do so. **While the Underwriters intend to make a market for the Interest Coupons and the Principal Residues, there can be no assurance that a market for particular Interest Coupons and Principal Residues will be available at any given time.** In such circumstances, purchasers may have to hold their Interest Coupons or Principal Residues to their respective payment or maturity dates to realize their investment. See also "Best Efforts Market".

### Price Volatility

The market price of principal residues or interest coupons is significantly more volatile than the price of a conventional interest-bearing debt security with the same risk and term to maturity. The primary reason for such volatility is the fact that no interest is paid in respect of a principal residue or interest coupon prior to its respective maturity or interest payment date. **There is, therefore, no opportunity to reinvest interest payments at prevailing rates of interest prior to maturity.** Without this reinvestment opportunity, the fluctuation in market price of principal residues and interest coupons increases. The purchase price or present value of a principal residue or an interest coupon from time to time is determined by discounting the face amount to be received on maturity by the appropriate interest rate or yield factor.

## Credit Considerations

The insolvency of a corporation which issues debt securities underlying interests in principal residues or interest coupons may lead to a loss of capital invested in such principal residues or interest coupons. The impact of insolvency of such corporation before maturity on such principal residues or interest coupons may be greater than that of a conventional debt security because, unlike a conventional debt security, an investor receives no interest payments prior to maturity. Although an investor in Principal Residues or Interest Coupons receives no interest payments prior to maturity, in the event the issuer of the Debenture becomes insolvent, the Custodian and Agency Agreement provides that the purchaser of Principal Residues or Interest Coupons will receive his *pro rata* share of any distribution made in respect of the Debenture. See "Details of the Offering — Sharing of Principal Payments Prior to Maturity".

A deterioration of the business prospects for the corporation which issued the debt securities underlying the interests in principal residues or interest coupons or such corporation's perceived credit strength, can cause the price of its debt securities to decline, and the impact will be greater for such principal residues or interest coupons than for a conventional debt security of the same maturity. The potential negative impact arises because of (i) the greater price volatility of principal residues and interest coupons; (ii) the higher credit exposure for interests in a principal residue or interest coupon because no interest is payable prior to maturity; and (iii) the fact that the secondary market for such principal residues or interest coupons may be less liquid than the secondary market for conventional debt securities.

## BEST EFFORTS MARKET

The Underwriters will establish and maintain a market for Interest Coupons and Principal Residues on a best efforts basis by making themselves available as purchasers of Interest Coupons and Principal Residues if, and so long as, the Underwriters in their sole discretion believe that there is a reasonable likelihood that they will be able to sell, at a profit or at no more than a minimal loss, the Interest Coupons and/or Principal Residues which they are being asked to purchase. **There is currently no market through which Principal Residues and Interest Coupons may be sold.** The Underwriters will act as principal, purchasing Interest Coupons and Principal Residues from holders and reselling Interest Coupons and Principal Residues to new or existing holders. However, the Interest Coupons and Principal Residues are fully transferable by a holder at any time and from time to time and need not necessarily be sold to an Underwriter.

The Underwriters will make settlement of any purchase or sale in accordance with market practice on the fifth business day following the date on which the agreement to purchase or sell Interest Coupons or Principal Residues is made. No commission is payable by a vendor of Interest Coupons and/or Principal Residues to an Underwriter.

The Underwriters may cease to offer to purchase Interest Coupons and Principal Residues under certain circumstances, including, if the Underwriters perceive that the supply of Interest Coupons or Principal Residues exceeds demand, or if any change occurs in conditions imposed by regulatory or legislative action, such that the Underwriters determine that they can no longer lawfully sell Interest Coupons or Principal Residues to the public without incurring unreasonable expenses or complying with onerous conditions. The Underwriters may still purchase Interest Coupons and/or Principal Residues under certain circumstances when they have ceased to maintain a best efforts market as a service to investors.

## ASSET AND INTEREST COVERAGES

The following financial ratios with respect to Bell Canada, which give effect to (i) the issuance of the Debenture, (ii) the repayment February 27, 1991 of \$50 million principal amount of debentures maturing that date and (iii) issue on March 15, 1991 of preferred shares for a consideration of \$60 million, are calculated as at, or for the twelve months ended, December 31, 1990:

Interest coverage on long-term debt of Bell Canada .....	4.0 times
Net tangible asset coverage for each \$1,000 of long-term debt:	
Before deduction of deferred income taxes: .....	2.8 times
After deduction of deferred income taxes: .....	2.5 times



## TAX CONSIDERATIONS

### Canadian Income Tax Considerations

In the opinion of McCarthy Tétrault and Davies, Ward & Beck, the following summary fairly presents the principal Canadian federal income tax consequences applicable to a purchaser of Interest Coupons or Principal Residues (the "Holder") who is a resident of Canada. This opinion is based on the Income Tax Act (Canada) (the "Act") and the Regulations made thereunder (the "Regulations") as in force on the date hereof, all specific proposals to amend the Act or Regulations publicly announced by the Minister of Finance prior to the date hereof and counsel's understanding of the administrative policies of Revenue Canada, Taxation. Provincial and foreign income tax considerations are not addressed and this summary is not intended to constitute, nor should it be relied upon as, tax advice to any particular Holder. This summary assumes that Holders are persons who hold their Interest Coupons or Principal Residues as capital property and not as traders or dealers in securities nor as persons carrying on a business with respect to the Interest Coupons or Principal Residues. **Holders should consult their own tax advisors for advice having regard to their particular circumstances.**

### Periodic Accrual of Notional Income

**Holders will be required annually to include in income notional interest accrued on their Interest Coupons or Principal Residues from the date of purchase, notwithstanding that no interest will have been payable or received.** The amount of notional interest is to be calculated in accordance with the rules in the Regulations. The period for which interest will be deemed to accrue in a year will vary depending on the status of the Holder. Generally, the amount of notional interest deemed to accrue each year on Interest Coupons or Principal Residues is determined by using that interest rate which, when applied to the original purchase price thereof and compounded at least annually, will result in an aggregate accrual at the date of maturity equal to the entire amount of the discount from the face amount at which the Interest Coupon or Principal Residue is purchased. The compounding feature of the notional interest accrual results in yearly increasing notional interest amounts as the Interest Coupons or Principal Residues approach maturity.

### Payment on Maturity or Prior Disposition

On a disposition or deemed disposition of an Interest Coupon or Principal Residue, including a payment of an Interest Coupon or Principal Residue on maturity, a Holder generally will be required to include in computing his income in the year of disposition, an amount equal to notional interest accrued to the date of disposition not previously included in his income as interest. In addition, the amount by which the proceeds received upon a disposition or deemed disposition of Interest Coupons or Principal Residues exceeds (or is less than) the aggregate of the amount of notional interest previously accrued to the date of disposition or deemed disposition and included in the Holder's income and the Holder's purchase price of the Interest Coupon or Principal Residue will be a capital gain (or a capital loss).

## LEGAL OPINIONS

The matters referred to under "Eligibility for Investment", "Terms of the Debenture — Ranking" and "Tax Considerations" will be passed upon for the Company by Davies, Ward & Beck and for the Underwriters by McCarthy Tétrault.

## PROMOTERS

The Underwriters have taken the initiative in organizing the Company and in connection therewith have acquired all of the share capital of the Company. Accordingly, the Underwriters may be considered to be promoters of the Company within the meaning of applicable securities legislation. The Underwriters will receive \$1,287,500 from Bell Canada as a result of the purchase of the Debenture from Bell Canada in respect of fees and expenses. The Underwriters will not receive any compensation in connection with the sale of the Debenture to the Company or the sale by the Company of the principal residue of the Debenture and the bearer form interest coupons of the Debenture to the Underwriters, except that the Company will receive an anticipated profit of \$25,000 on the sale of the Principal Residues and Interest Coupons net of anticipated expenses of the offering. In connection with the sale of Principal Residues and Interest Coupons to purchasers, the Underwriters will sell the Principal Residues and Interest Coupons at such prices and at such rates of commission as may be negotiated between the purchasers and

the Underwriters which prices and rates may vary as between purchasers and from time to time during the period of distribution. The Underwriters' compensation will increase or decrease by the amount by which the aggregate price paid for the Principal Residues and Interest Coupons by purchasers exceeds or is less than the aggregate price paid by the Underwriters to the Company for such Principal Residues and Interest Coupons. The Underwriters will not be compensated by the Company, or in respect of this offering, except in the manner described hereunder. See "Plan of Distribution" and "Use of Proceeds".

The Underwriters own all of the issued share capital of the Company, which consists of common shares only, in proportion to their underwriting commitment with respect to the purchase of the Debenture. Each common share of the Company has the right to dividends as and when declared by the board of directors, the right to share in any undistributed surpluses in the event of the liquidation or winding-up of the Company and the right to one vote per share on all matters to be voted upon at meetings of shareholders of the Company.

### MANAGEMENT

The names, municipalities of residence, positions with the Company and principal occupations of the directors and officers of the Company are as follows:

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
K. G. COPLAND . . . . . Toronto, Ontario	Director	Executive Vice-President and Director, Nesbitt Thomson Deacon Inc.
RUDOLF S. DUSCHEK . . . . . West Hill, Ontario	Chief Executive Officer	Controller, Burns Fry Limited
JOHN P. MCCREA . . . . . West Hill, Ontario	Director	Director and Treasurer, Burns Fry Limited
JOSEPH J. OLIVER . . . . . Toronto, Ontario	Chief Financial Officer	Senior Vice-President and Director, Nesbitt Thomson Deacon Inc.
CAROL S. PERRY . . . . . Toronto, Ontario	Director	Vice-President and Director, Wood Gundy Inc.

Each of the directors and officers has held the principal occupation listed above for the last five years except for Rudolf S. Duschek, who joined Burns Fry Limited in March 1989. Prior to that time, he was Audit Manager with the predecessor to the accounting firm of Ernst & Young. The directors and officers will not be compensated by the Company for serving in such positions with the Company.

### CUSTODIAN

The Custodian, as custodian and agent pursuant to the Custodian and Agency Agreement, referred to under "Details of the Offering", will be Montreal Trust Company of Canada, Toronto, Ontario.

### MATERIAL CONTRACTS

The only material contracts in respect of this offering or entered into by the Company within the past two years are as follows:

- (i) Agreement to be dated as of March 11, 1991 between the Company and the Underwriters in respect of the purchase by the Company of the Debenture and the sale to the Underwriters of the principal residue of the Debenture and the bearer form interest coupons of the Debenture referred to under "Plan of Distribution". See also "Coupon Corporation Ltd.";
- (ii) The Custodian and Agency Agreement to be dated April 15, 1991 referred to under "Details of the Offering — Custodian and Agency Agreement";
- (iii) Supplemental Trust Indenture between Bell Canada and The Royal Trust Company to be dated April 15, 1991 in connection with the issuance of the Debenture referred to under "Terms of Debenture — Indenture"; and

- (iv) Underwriting Agreement dated March 27, 1991 between Bell Canada and the Underwriters in connection with the purchase by the Underwriters and the sale by Bell Canada of the Debenture referred to under "Plan of Distribution".

Copies of such agreements are available from the head office of any of the Underwriters during normal business hours at any time during the period of distribution of the Principal Residues and Interest Coupons (except for the Custodian and Agency Agreement which will be available during the period that the Principal Residues and Interest Coupons are outstanding) upon payment of a reasonable charge for photocopying.

#### **PURCHASER'S STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides a purchaser 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 certain provinces, 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 the purchaser's province. A purchaser of securities in the Province of Newfoundland is entitled to contractual rights of withdrawal and rescission or damages under local Policy Statement No. 1, the terms of which are incorporated herein by reference. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights and remedies or consult with a legal advisor. See "Indemnity".

#### **PURCHASER'S CONTRACTUAL RIGHTS OF WITHDRAWAL**

The Underwriters hereby grant a contractual right of withdrawal to purchasers in those provinces in which statutory rights of withdrawal are available pursuant to which such purchasers may withdraw from an agreement to purchase securities until the later of two business days (i) after receipt or deemed receipt of a prospectus and any amendment thereto, and (ii) after receipt of a confirmation slip from an Underwriter, which confirmation slip will include the purchase price of the securities purchased. The foregoing is in addition to any other right or remedy available to a purchaser under applicable securities legislation or otherwise at law.

## CERTIFICATE OF THE COMPANY AND THE PROMOTERS

Dated: March 27, 1991

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 prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta), by Part XI of The Securities Act, 1988 (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of the Securities Act (Ontario) and by the Securities Act (Nova Scotia) and the respective regulations thereunder, by Section 13 of the Securities Fraud Prevention Act (New Brunswick), by Part IV of the Regulations to the Securities Act (Newfoundland) and by Section 8.6 of the Securities Act (Prince Edward Island). This prospectus, as supplemented by the documents incorporated herein by reference, does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed as required by the Securities Act (Quebec) and the regulations thereunder.

(Signed) RUDOLF S. DUSCHEK  
Chief Executive Officer  
Coupon Corporation Ltd.

(Signed) JOSEPH J. OLIVER  
Chief Financial Officer  
Coupon Corporation Ltd.

### On behalf of the Board of Directors of Coupon Corporation Ltd.

(Signed) JOHN P. MCCREA  
Director

(Signed) CAROL S. PERRY  
Director

### Promoters

Nesbitt Thomson Deacon Ltd.

Burns Fry Limited

Wood Gundy Inc.

(Signed) SANDRA L. SCHUMACHER

(Signed) JEFFREY H. CLAY

(Signed) CAROL S. PERRY

RBC Dominion  
Securities Inc.

Gordon Capital  
Corporation

Lévesque Beaubien  
Geoffrion Inc.

Richardson Greenshields  
of Canada Limited

(Signed) JOHN P. MCGRATH

(Signed) PETER P. BIGGS

(Signed) JOHN MCKINNON

(Signed) ROBERT L. REEVES

## CERTIFICATE OF THE UNDERWRITERS

Dated: March 27, 1991

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 prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta), by Part XI of The Securities Act, 1988 (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of the Securities Act (Ontario) and by the Securities Act (Nova Scotia) and the respective regulations thereunder, by Section 13 of the Securities Fraud Prevention Act (New Brunswick), by Part IV of the Regulations to the Securities Act (Newfoundland) and by Section 8.6 of the Securities Act (Prince Edward Island). This prospectus, as supplemented by the documents incorporated herein by reference, does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed as required by the Securities Act (Quebec) and the regulations thereunder.

Nesbitt Thomson Deacon Ltd.

Burns Fry Limited

Wood Gundy Inc.

By: (Signed) JOSEPH J. OLIVER

By: (Signed) VINCENT L. CHAHLEY

By: (Signed) CAROL S. PERRY

RBC Dominion  
Securities Inc.

Gordon Capital  
Corporation

Lévesque Beaubien  
Geoffrion Inc.

Richardson Greenshields  
of Canada Limited

By: (Signed) JOHN P. MCGRATH

By: (Signed) PETER P. BIGGS

By: (Signed) JOHN MCKINNON

By: (Signed) ROBERT L. REEVES

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:

Nesbitt Thomson Deacon Ltd.: wholly-owned by Nesbitt, Thomson Inc.;

Burns Fry Limited: wholly-owned by Burns Fry Holdings Corporation;

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

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

Gordon Capital Corporation: Gordon Investment Corporation, N. W. Baker, J. R. Connacher, F. A. Constantini, G. H. Eberts, R. A. Fung, J. N. Green, P. T. Hyland and R. Li;

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

Richardson Greenshields of Canada Limited: wholly-owned by Richardson Greenshields Limited.