

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

*Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada (the permanent information record in Quebec). Copies of the documents incorporated herein by reference may be obtained on request without charge from your dealer or from the Senior Vice-President, Law and Corporate Secretary, BCE Inc., 1000, rue de La Gauchetière Ouest, bureau 3700, Montréal (Québec) H3B 4Y7 (telephone 514-397-7000).*

New Issue

October 9, 1996



# BCE Inc.

**\$200,000,000**  
**8,000,000 Shares**

## Cumulative Redeemable First Preferred Shares, Series S

Until November 1, 2001, the Cumulative Redeemable First Preferred Shares, Series S (the "Series S Preferred Shares") will be entitled to fixed cumulative preferred cash dividends of \$1.32 per share per annum, as and when declared by the board of directors of BCE Inc., which will accrue from the date of issue and will be payable quarterly on the first day of February, May, August and November in each year with the initial dividend, if declared, payable on February 1, 1997 in the amount of \$0.3725. See "Details of the Offering".

Thereafter, the Series S Preferred Shares will be entitled to floating adjustable cumulative preferred cash dividends, as and when declared by the board of directors of BCE Inc., which will accrue from November 1, 2001, and will be payable monthly on the twelfth day of each month commencing with the month of December 2001, with the annual floating dividend rate for the first month equal to 80% of Prime. The dividend rate will float in relation to changes in Prime and will be adjusted upwards or downwards on a monthly basis whenever the Calculated Trading Price of the Series S Preferred Shares is \$24.875 or less or \$25.125 or more respectively. The maximum monthly adjustment for changes related to the Calculated Trading Price will be  $\pm 4.00\%$  of Prime. The annual floating dividend rate applicable for a month will in no event be less than 50% of Prime or greater than Prime. See "Details of the Offering".

### Conversion into a Further Series of Preferred Shares

Holdes of Series S Preferred Shares will have the right to convert their shares into Cumulative Redeemable First Preferred Shares, Series T of BCE Inc. (the "Series T Preferred Shares"), subject to certain conditions, on November 1, 2001 and every five years thereafter. See "Details of the Offering".

On November 1, 2001, BCE Inc. may redeem for cash the Series S Preferred Shares, in whole but not in part, at BCE Inc.'s option, at \$25.00 per share plus accrued and unpaid dividends. Subsequent to November 1, 2001, BCE Inc. may redeem at any time for cash the Series S Preferred Shares, in whole but not in part, at BCE Inc.'s option, at \$25.50 per share plus accrued and unpaid dividends. See "Details of the Offering".

The Montreal and Toronto exchanges have conditionally approved the listing of the Series S Preferred Shares. Listing is subject to BCE Inc. fulfilling all of the requirements of such exchanges on or before January 8, 1997 including distribution of these securities to a minimum number of public shareholders.

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

### Price: \$25.00 per share to yield initially 5.28% per annum

	Price to Public	Underwriting Fee <sup>(1)</sup>	Net Proceeds to BCE Inc. <sup>(2)</sup>
Per share .....	\$25.00	\$0.75	\$24.25
Total .....	\$200,000,000	\$6,000,000	\$194,000,000

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

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

**One of the Underwriters is related to a Canadian chartered bank which is a party to a loan agreement with BCE Inc. and an associated company of BCE Inc. A portion of the net proceeds of the issue will be used to discharge outstanding indebtedness of BCE Inc. under such loan agreement. See "Use of Proceeds" and "Relationship between BCE and An Underwriter".**

*(continued on next page)*

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We, as principals, conditionally offer the Series S Preferred Shares, subject to prior sale, if, as and when issued by BCE Inc. and accepted by us, in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of BCE Inc. by Messrs. Josef J. Fridman and Marc J. Ryan, Senior Vice-President, Law and Corporate Secretary, and General Counsel, respectively, of BCE Inc. and on our behalf by Ogilvy Renault, Montreal, a general partnership.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the date of closing and the date on which the Series S Preferred Shares in definitive form will be ready for delivery will be on or about October 21, 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 BCE Inc. dated March 15, 1996;
- (b) Comparative Consolidated Financial Statements of BCE Inc. for the years ended December 31, 1995 and 1994 and the Auditors' Report thereon provided on pages 30 to 53 of BCE Inc.'s 1995 Annual Report;
- (c) Management's Discussion and Analysis and interim unaudited comparative consolidated financial statements for the period ended March 31, 1996 included in the quarterly report of BCE Inc. for the first quarter of 1996;
- (d) Interim unaudited comparative consolidated financial statements for the period ended June 30, 1996 included in the quarterly report of BCE Inc. for the second quarter of 1996;
- (e) Management's Discussion and Analysis of BCE Inc. for the period ended June 30, 1996 dated August 5, 1996; and
- (f) Notice of 1996 Annual Meeting and Management Proxy Circular of BCE Inc. dated February 20, 1996.

Any annual information forms, material change reports (excluding confidential reports), financial statements (including Management's Discussion and Analysis) and management proxy circulars filed by BCE Inc. 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 distribution, 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 purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Messrs. Josef J. Fridman and Marc J. Ryan, Senior Vice-President, Law and Corporate Secretary, and General Counsel, respectively, of BCE Inc., and of Ogilvy Renault, Montreal, a general partnership, at the time of closing, the Series S Preferred Shares will qualify as eligible investments under the *Insurance Act* (Ontario), without resort to the so-called "basket" provisions, but subject to general investment provisions and restrictions pertaining generally to purchasers under such Act.

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

## SUMMARY OF THE OFFERING

*This summary is qualified by the detailed information appearing elsewhere in this short form prospectus. For a definition of the terms used in this summary, refer to "Details of the Offering".*

**Issue:** Cumulative Redeemable First Preferred Shares, Series S.

**Amount:** \$200,000,000 (8,000,000 shares).

**Price and Yield:** \$25.00 per share to yield initially 5.28% per annum.

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### Principal Characteristics of Series S Preferred Shares

**Dividends:** Until November 1, 2001, fixed cumulative preferred cash dividends at an annual rate of \$1.32 per share payable quarterly on the first day of February, May, August and November in each year. Assuming an issue date of October 21, 1996, an initial dividend, if declared, of \$0.3725 per share will be payable on February 1, 1997.

From November 1, 2001, floating adjustable cumulative preferred cash dividends payable monthly on the twelfth day of each month commencing with the month of December 2001, with the annual floating dividend rate for the first month equal to 80% of Prime. The dividend rate will float in relation to changes in Prime and will be adjusted upwards or downwards on a monthly basis whenever the Calculated Trading Price of the Series S Preferred Shares is \$24.875 or less or \$25.125 or more respectively. The maximum monthly adjustment for changes related to the Calculated Trading Price will be  $\pm 4.00\%$  of Prime. However, the annual floating dividend rate applicable in a month will in no event be less than 50% of Prime or greater than Prime.

**Redemption:** The Series S Preferred Shares are not redeemable prior to November 1, 2001. The Series S Preferred Shares will be redeemable on such date for cash, in whole but not in part, at BCE Inc.'s option, at \$25.00 per share, together with accrued and unpaid dividends up to but excluding the date of redemption. Redeemable at any time after November 1, 2001, in whole but not in part, for cash, at BCE Inc.'s option, at \$25.50 per share, together with accrued and unpaid dividends up to but excluding the date of redemption.

**Conversion into Series T Preferred Shares:** Holders of Series S Preferred Shares will, subject to the automatic conversion provisions, have the right to convert, on November 1, 2001 and on November 1 every five years thereafter (a "Conversion Date"), their shares into an equal number of Series T Preferred Shares upon giving to BCE Inc. notice thereof not earlier than 45 days prior to, but not later than the close of business on the 14<sup>th</sup> day preceding, a Conversion Date.

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

### Principal characteristics of Series T Preferred Shares

**Dividends:** Fixed cumulative preferred cash dividends payable quarterly on the first day of February, May, August and November in each year.

At least 45 days and not more than 60 days prior to the start of the initial dividend period beginning on November 1, 2001, and at least 45 days and not more than 60 days prior to the first day of each subsequent dividend period (the initial five year dividend period and all subsequent five year dividend periods being referred to as a “Fixed Dividend Rate Period”), BCE Inc. shall set, and provide written notice of, a Selected Percentage Rate for the ensuing Fixed Dividend Rate Period. Such Selected Percentage Rate shall not be less than 80% of the Government of Canada Yield determined on the 21st day preceding the first day of the applicable Fixed Dividend Rate Period.

**Redemption:** The Series T Preferred Shares are not redeemable prior to November 1, 2006. The Series T Preferred Shares will be redeemable on November 1, 2006 or on November 1 in every fifth year thereafter for cash, in whole but not in part, at BCE Inc.’s option, at \$25.00 per share, together with accrued and unpaid dividends up to but excluding the date of redemption.

**Conversion into Series S Preferred Shares:** Holders of Series T Preferred Shares will, subject to the automatic conversion provisions, have the right to convert, on November 1, 2006 and on November 1 every five years thereafter (a “Conversion Date”), their shares into an equal number of Series S Preferred Shares upon giving to BCE Inc. notice thereof not earlier than 45 days prior to, but not later than the close of business of the 14<sup>th</sup> day preceding, a Conversion Date.

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

**Priority:** The First Preferred Shares rank in priority to the Common Shares with respect to the payment of dividends and with respect to the distribution of assets in the event of the liquidation, dissolution or winding-up of BCE Inc. Each series of First Preferred Shares ranks in such respect on a parity with every other series of First Preferred Shares.

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

## **BCE Inc.**

BCE Inc. ("BCE") was incorporated in 1970 and continued under the Canada Business Corporations Act ("CBCA") in 1979. BCE has its principal and registered offices at 1000, rue de La Gauchetière Ouest, bureau 3700, Montréal (Québec) H3B 4Y7.

BCE is Canada's largest telecommunications company. At December 31, 1995, BCE had total assets of \$38.8 billion, approximately 121,000 employees, revenues of \$24.6 billion, net earnings of \$782 million and consolidated operating cash flow (net cash provided by operations before changes in working capital and after payment of preferred dividends) of \$3.9 billion for that year.

BCE operates in the following business segments: Canadian Telecommunications, Northern Telecom, Bell Canada International, Directories and Corporate. The Canadian Telecommunications group provides a full range of telecommunications services through Canadian-based subsidiary and associated companies operating: traditional wireline telephone networks; cellular and other wireless communications networks; satellite networks; and international gateway networks. Northern Telecom Limited ("Nortel") is a leading global supplier of telecommunications equipment products, which business consists of the research and the design, development, manufacture, marketing, sale, financing, installation, servicing and support of switching networks, enterprise networks, wireless networks, broadband networks and other products and services. Bell Canada International Inc. ("BCI"), through subsidiary and associated companies, is active in wireline, cable/phone and wireless telecommunications services principally in the United Kingdom, the United States, South America and Asia. The Directories group publishes telephone and other directories in Canada and internationally. Corporate activities are carried out by BCE. BCE is a strategic management company whose major activities include strategy development, human resource management, capital allocation, goal setting and performance monitoring.

BCE has the largest number of registered shareholders of any Canadian corporation. At December 31, 1995, there were approximately 219,000 registered holders of common shares, of whom about 97% were registered as resident in Canada and held approximately 86% of the common shares outstanding. Approximately 71% of outstanding common shares are held on behalf of unregistered shareholders by the major depositories for securities, resulting in a continuing decline in the number of registered shareholders.

## **RECENT DEVELOPMENTS**

### **Price Cap Regulation**

On June 10, 1996, Stentor, acting on behalf of Bell Canada and most other Stentor member companies, filed a proposal and supporting evidence with the Canadian Radio-television and Telecommunications Commission ("CRTC") to implement price cap regulation for utility operations. A decision from the CRTC is expected in 1997 and price cap regulation is scheduled to come into effect on January 1, 1998. Price cap regulation will replace the traditional rate of return regulation and is a key step during the transition period to a fully competitive local service marketplace.

Consistent with the CRTC's objectives as outlined in Telecom Decision 94-19, Bell Canada and most other Stentor companies are proposing a five-year cap plan which would enable a smooth transition to forbearance and would mirror the working of a competitive marketplace.

Price cap regulation is an incentive-based form of regulation that limits, or caps, the average level of a company's prices rather than focusing on its level of earnings. The limit by which prices can be increased is defined by a measure of inflation less a target productivity measure.

For those services to be governed by price cap regulation, prices in aggregate could not rise by more than inflation less a productivity target: essentially the extent to which the productivity to be achieved by the telephone companies in the future is expected to exceed productivity of the economy as a whole. Bell Canada has proposed that this productivity offset be set at 2.7% per annum for five years. For instance, if inflation were to remain at levels achieved in recent years, this would force aggregate price reductions. Services covered by price cap regulation would include basic service to residential and business customers, access services provided to competitors, and optional line features provided to all customers. The resultant index could also be adjusted for predefined exogenous variables which in this case have been defined as taxes and other such government charges specific to telecommunications.

Because basic residential rates are generally substantially below cost, and subject to the aggregate constraint described above, Bell Canada has asked for the flexibility to raise this basket of rates, if necessary, by an amount which would not exceed 5% above the inflation rate for each year of the initial price cap period.

Bell Canada has proposed streamlining of tariff filing requirements, to reduce the administration and cost of regulation and to allow it to speed new and enhanced products and services to market in response to customer needs and the evolution of local service competition.

Bell Canada is proposing that all consideration of rate of return regulation by the CRTC be eliminated. Price caps are intended to replicate a competitive marketplace. Investors (shareholders) should bear the risks and reap the profits for their investments. The proposed price plan will protect subscribers through price caps and constraints while allowing the telephone companies to attract the investment needed to maintain and enhance their sophisticated telecommunications network, and to meet an increasingly competitive domestic and global market.

Bell Canada has proposed a \$2.00 rate increase related to the third step of rate rebalancing for January 1, 1998. This would see rates for basic service increasing with the contribution rates charged to the company's competitive segments, and to its competitors, decreasing in an offsetting fashion.

### **Local Competition**

In Telecom Decision 94-19, the CRTC endorsed open entry for competition in the local market and initiated a number of implementation proceedings (e.g. interconnection and unbundling, collocation, number portability) for which decisions are anticipated in the first part of 1997.

These decisions, and in particular the CRTC's decision in the interconnection and unbundling proceeding, will establish the framework and terms and conditions under which companies will compete for provision of local service to Canadian customers.

Bell Canada has endorsed a vision of a network of networks, with facilities-based entry of carriers employing a variety of technologies to provide a wide choice of services and packages directly to customers, as well as resale of these services on the basis of rates, terms and conditions established on commercial terms.

Bell Canada supports mandatory interconnection of competing networks and has proposed unbundling that goes beyond essential facilities. Rates for interconnection and essential facilities are proposed to cover incremental cost plus a markup toward the recovery of joint and common costs. Prices and terms for other facilities would be governed by market forces.

Bell Canada has identified the need for restructuring of local rates to bring them closer to underlying cost and has proposed local contribution as a transition mechanism pending such restructuring to support basic residence service currently provided at prices well below cost.

### **Stentor Alliance**

In May 1996, the nine major Canadian telephone companies entered into a memorandum of understanding aimed at increasing the speed and reducing the complexity of decision-making in the alliance. Pursuant to this understanding, a streamlined Stentor Resource Centre Inc. ("SRCI") board, made up of representatives from AGT Limited, BC Tel and Bell Canada, will be responsible for overseeing SRCI's work program and taking decisions on business strategy. These three telephone companies will fund substantially all of the expenses of SRCI. All nine telephone companies remain shareholders of SRCI and will continue to benefit from SRCI's activities. The reorganization is expected to be effective January 1, 1997.

Through a connecting agreement, the Stentor alliance, a working association of the nine major Canadian telephone companies and Telesat Canada, coordinates the interconnection of the members' networks and the sharing of revenues from jointly furnished telecommunications services. The terms of revenue sharing are currently contained in a Settlement Plan adopted pursuant to the connecting agreement. In May 1996, the Stentor members approved a revised settlement plan ("Settlement Arrangement"), with a proposed effective date of January 1, 1997. As a result of this revision, certain consequential amendments to the connecting agreement are required and a revised connecting agreement will be filed with the CRTC for approval.

Under the Settlement Arrangement, as with the previous plan, competitive toll services and competitive network services are settled separately. The Settlement Arrangement provides for a new settlement process for the competitive toll category, while

revenues for competitive network services will continue to be settled in accordance with the Settlement Plan until a new arrangement is agreed upon, which is expected to be implemented on January 1, 1998. The Settlement Arrangement is designed to provide incentives to the members which emphasize the reduction of costs and the generation of profitable revenues. Bell Canada's settled revenues in 1997 are expected to increase as a result of the implementation of the Settlement Arrangement and this increase has been reflected in its preliminary financial targets for 1997.

### **Government of Canada Convergence Policy**

On August 6, 1996, the Government of Canada released its policy framework with respect to a wide range of issues associated with the growing convergence of the telecommunications and broadcasting industries. The framework established by the government will be an important determinant of the terms and conditions under which Bell Canada can enter the broadcasting distribution business. The government's policy dealt with three principal areas, namely: facilities, content and competition.

In its August 6 policy, the government restated its view that competition in the distribution of broadcasting services was appropriate although it suggested that sharing facilities may be desirable in small markets. The government endorsed the need for cable companies offering telecommunications services to ensure that there was third party access to those parts of their facilities that are not being used for broadcasting.

A major theme of the policy was the need to ensure that the policy objectives of the Broadcasting Act were adhered to by all competitive programming and distribution undertakings. Thus, the government stressed that all distribution undertakings should be faced with equivalent obligations in terms of the benefits to the Canadian broadcasting system including, for example, the contribution of a percentage of gross annual broadcasting revenues to the production of Canadian programming.

With respect to new information and programming services, the government indicated its view that scheduled programs offered on a pay per view basis at the specific request of an individual are subject to the CRTC's jurisdiction but did not provide explicit views on the handling of new video on demand services, other than indicate that it intended to provide future policy implementation guidance.

The government endorsed the entry of all telephone companies into the broadcasting distribution sector and indicated that it would take the necessary steps to remove barriers to a number of these companies. It also indicated that the Bell Canada Act would be amended to remove the prohibition against Bell Canada holding a broadcasting programming licence or a broadcasting distribution licence; on September 19, 1996, the government tabled a bill in the House of Commons which, when it becomes law, will remove the aforesaid prohibition.

The government endorsed the CRTC's view that neither telephone companies nor cable companies should have a head start into each other's core business. The government noted that the CRTC was in the process of conducting a number of proceedings related to the entry of cable companies into the local telephone market and urged the Commission to complete these as quickly as possible. At the same time, the government indicated that the CRTC should consider applications from telephone companies to enter the broadcasting distribution business and issue licences within the same time frame as these proceedings and associated implementation processes.

The policy indicates the government's preference that any cable company or telephone company wishing to operate a broadcasting programming undertaking must do so by means of a separate company. However, with respect to the operation of a broadcasting distribution undertaking, the government has left the matter to the CRTC, suggesting that the Commission impose structural separation unless it is satisfied that a number of specified issues have been adequately addressed, including the need to ensure that there are no cross subsidies and that broadcasting revenues can be adequately tracked.

### **Contribution Discounts**

As previously disclosed, the competitors of Bell Canada in the public long distance telephone service market were granted significant explicit discounts by the CRTC in the calculation of their contribution payments to support local telephone service. These contribution discounts have been scheduled to be reduced over time and phased-out on June 30, 1998. On July 30, 1996, Bell Canada and the other Stentor companies filed an application with the CRTC seeking the elimination of the remaining explicit discounts. The application requested that the discounts be removed in calculating both interim and final 1997 contribution rates applicable to competitors.

## **USE OF PROCEEDS**



The net proceeds from the sale of the Series S Preferred Shares are estimated at \$193,750,000 after deducting expenses of the issue estimated at \$250,000. Approximately \$163,500,000 of the net proceeds will be used to discharge outstanding indebtedness of BCE under a loan agreement between two Canadian chartered banks, BCE and an associated company of BCE and, accordingly, may be considered to be applied by BCE for the benefit of such banks. The loan agreement matures on December 31, 1996. BCE's obligations under the aforesaid loan agreement are secured by a mortgage over an office building in the City of Montreal jointly owned and partially occupied by BCE and the aforesaid associated company. The balance of the net proceeds will be used for BCE's general corporate purposes.

### RELATIONSHIP BETWEEN BCE AND AN UNDERWRITER

One of the Underwriters, namely Lévesque Beaubien Geoffrion Inc. ("Lévesque Beaubien"), is a majority-owned subsidiary of a Canadian chartered bank ("Bank") which is a party with BCE and an associated company of BCE to the loan agreement ("Loan Agreement") referred to under "Use of Proceeds".

As approximately \$81,760,000 of the net proceeds of the issue may be considered to be applied by BCE for the benefit of the Bank pursuant to the Loan Agreement, BCE could thus be considered to be a connected issuer to Lévesque Beaubien under applicable securities laws.

The Bank was not involved in the decision to distribute the Series S Preferred Shares, or in determining the terms of the offering. None of the proceeds of the issue will be used to the profit of Lévesque Beaubien, other than that part of its remuneration which is paid to it by BCE as an underwriting fee.

### EARNINGS AND ASSET COVERAGES

The following consolidated financial ratios are calculated as at, or for the twelve months ended, December 31, 1995 and June 30, 1996, and give effect to this issue and the issuance of all long-term debt and preferred shares of BCE and its subsidiaries and repayment or redemption thereof since those dates.

	Twelve months ended			
	December 31, 1995		June 30, 1996	
	Preferred Shares	Long-Term Debt and Preferred Shares	Preferred Shares	Long-Term Debt and Preferred Shares
Earnings coverage .....	5.0 times	2.5 times	6.4 times	2.8 times
Net tangible asset coverage for each \$1,000:				
Before deduction of deferred income taxes .....	9.7 times	1.9 times	9.6 times	1.9 times
After deduction of deferred income taxes .....	8.4 times	1.8 times	8.3 times	1.8 times

### PLAN OF DISTRIBUTION

Under an agreement dated September 30, 1996 (the "Underwriting Agreement") between BCE and Nesbitt Burns Inc., ScotiaMcLeod Inc., TD Securities Inc., Lévesque Beaubien Geoffrion Inc., CIBC Wood Gundy Securities Inc., Midland Walwyn Capital Inc., Gordon Capital Corporation and First Marathon Securities Limited, as underwriters (the "Underwriters"), BCE has agreed to sell and the Underwriters have agreed to purchase on October 21, 1996, or on such later date as may be agreed upon, but in any event not later than November 15, 1996, all but not less than all of the Series S Preferred Shares at a price of \$25.00 per share, payable in cash to BCE against delivery of the Series S Preferred Shares, and BCE has agreed to pay the Underwriters a fee equal to \$0.25 per Series S Preferred Share sold to certain institutions and \$0.75 per share for all other Series S Preferred Shares purchased by the Underwriters. All fees payable to the Underwriters will be paid on account of services rendered in connection with the offering and will be paid out of the general funds of BCE.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated by them or BCE upon the occurrence of certain

stated events. The Underwriters are, however, obligated to take up and pay for all the Series S Preferred Shares if any Series S Preferred Shares are purchased under the Underwriting Agreement.

The Series S Preferred Shares offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold, directly or indirectly, in the United States.

In addition, until 40 days after the commencement of the offering, any offer or sale of the Series S Preferred Shares offered hereby within the United States by any dealer, whether or not participating in the offering, may violate the registration requirements of the Securities Act.

The "United States" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.

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

### CONSOLIDATED SHARE AND LOAN CAPITAL

The following table sets out the share and loan capital of BCE as at December 31, 1995 and June 30, 1996:

	(\$ millions)	
	As at December 31, 1995	As at June 30, 1996 (unaudited)
Long-term debt .....	11,974	12,248
Capital Stock – Preferred .....	1,250	1,250
– Common .....	6,011	6,135
– Contributed Surplus .....	1,003	1,003
Retained earnings .....	2,967	2,977

After giving effect to this offering, Capital Stock - Preferred would amount to \$1,450 million.

### DESCRIPTION OF SHARE CAPITAL

The articles of BCE provide that its authorized share capital shall be divided into an unlimited number of common shares (the "Common Shares"), an unlimited number of First Preferred Shares issuable in series, and an unlimited number of Second Preferred Shares issuable in series, all without nominal or par value.

#### Common Shares

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

## **First Preferred Shares**

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

The holders of First Preferred Shares do not have the right to receive notice of, attend, or vote at any meeting of shareholders except to the extent otherwise provided in the articles of BCE with respect to any series of First Preferred Shares, or when the holders of First Preferred Shares are entitled to vote separately as a class or as a series as provided in the CBCA. In connection with any matter requiring the approval of the First Preferred Shares as a class, the holders of existing series of First Preferred Shares which are outstanding are entitled to one vote in respect of each First Preferred Share held, except holders of Series J and Series N Preferred Shares, such holders being entitled to 5,000 votes per share. Holders of First Preferred Shares have no preemptive rights. All outstanding First Preferred Shares of BCE are fully-paid and non-assessable.

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

## **Second Preferred Shares**

The Second Preferred Shares are identical to the First Preferred Shares but are junior to the First Preferred Shares. There are no Second Preferred Shares outstanding as of the date of this short form prospectus.

## **DETAILS OF THE OFFERING**

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

On September 25, 1996, the board of directors of BCE authorized the creation of 8,000,000 Series S Preferred Shares of BCE. The Series S Preferred Shares offered hereby will have attached thereto the series provisions summarized below. BCE will furnish upon request a copy of the text of the provisions attaching to the Series S Preferred Shares.

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

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

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

“Calculated Trading Price” for any month means:

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

“Daily Accrued Dividend Deduction” for any Trading Day means:

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

divided by

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

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

- (a) the aggregate dollar value of all transactions of Series S Preferred Shares on the Exchange (made on the basis of the normal settlement period in effect on the Exchange) occurring during such Trading Day;

less

- (b) the Daily Trading Volume for such Trading Day multiplied by the Daily Accrued Dividend Deduction for such Trading Day.

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

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

“Dividend Payment Date” means:

- (a) during the Fixed Rate Period, the first day of each of February, May, August and November in each year; and
- (b) during the Floating Rate Period, the twelfth day of each month commencing with the month of December 2001;

and the first Dividend Payment Date shall be February 1, 1997.

“Dividend Period” means:

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

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

“Ex-Dividend Date” means:

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

“Fixed Rate Period” means the period commencing with the date of issue of the Series S Preferred Shares and ending on and including October 31, 2001.

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

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

“Prime Rate” for any day means the average (rounded to the nearest one-thousandth (1/1000) of one percent (1%)) of the annual rates of interest announced from time to time by the Banks as the reference rates then in effect for such day for determining interest rates on Canadian dollar commercial loans made to prime commercial borrowers in Canada. If one of the Banks does not have such an interest rate in effect on a day, the Prime Rate for such day shall be such interest rate in effect for that day of the other Bank; if both Banks do not have such an interest rate in effect on a day, the Prime Rate for that day shall be equal to 1.5% per annum plus the average yield expressed as a percentage per annum on 91-day Government of Canada Treasury Bills, as reported by the Bank of Canada, for the weekly tender for the week immediately preceding that day; and if both of such Banks do not have such an interest rate in effect on a day and the Bank of Canada does not report such average yield per annum, the Prime Rate for that day shall be equal to the Prime Rate for the next preceding day. The Prime Rate and Prime shall be determined from time to time by an officer of BCE from quotations supplied by the Banks or otherwise publicly available. Such determination shall, in the absence of manifest error, be final and binding upon BCE and upon all holders of Series S Preferred Shares.

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

### ***Issue Price and Stated Value***

The Series S Preferred Shares will have an issue price and stated value of \$25.00 per share.

### ***Dividends***

Until November 1, 2001, the holders of the Series S Preferred Shares will be entitled to receive fixed cumulative preferred cash dividends as and when declared by the board of directors of BCE, at an annual rate of 5.28% per share (\$1.32 per share per annum) to accrue from the date of issue and to be paid on the first day of February, May, August and November in each year. The initial dividend, if declared, will be payable on February 1, 1997, and assuming an issue date of October 21, 1996, will amount to \$0.3725 per share.

From November 1, 2001, the holders of the Series S Preferred Shares will be entitled to receive floating adjustable cumulative preferred cash dividends as and when declared by the board of directors of BCE, to accrue from November 1, 2001 and to be paid on the twelfth day of each month, commencing with the month of December 2001. The annual floating dividend rate for the first month will be equal to 80% of Prime. The dividend rate will float in relation to changes in Prime and will be adjusted upwards or downwards on a monthly basis by an adjustment factor whenever the Calculated Trading Price of the Series S Preferred Shares is \$24.875 or less or \$25.125 or more respectively. The maximum monthly adjustment for changes in the Calculated Trading Price will be  $\pm 4.00\%$  of Prime. The annual floating dividend rate applicable for a month will in no event be less than 50% of Prime or greater than Prime.

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

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

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

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

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

The holders of Series S Preferred Shares, who are also holders of Common Shares, may elect to reinvest all of the cash dividends payable to them on the Series S Preferred Shares in Common Shares under BCE's Dividend Reinvestment and Stock Purchase Plan.

### ***Redemption***

The Series S Preferred Shares will not be redeemable prior to November 1, 2001. The Series S Preferred Shares will be redeemable, at the option of BCE, subject to applicable law and to "Restrictions on Dividends and Retirement of Shares", on November 1, 2001, in whole but not in part, at \$25.00 per share, plus an amount equal to all accrued and unpaid dividends up to but excluding the date of redemption. Subsequent to November 1, 2001, the Series S Preferred Shares will be redeemable at the option of BCE, in whole but not in part, at \$25.50 per share, plus an amount equal to all accrued and unpaid dividends up to but excluding the date of redemption. Notice of the redemption will be given by BCE not less than 45 days nor more than 60 days prior to the date fixed for redemption.

### ***Purchase for Cancellation***

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

### ***Restrictions on Dividends and Retirement of Shares***

BCE will not, without the approval of the holders of outstanding Series S Preferred Shares:

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

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

### ***Rights on Liquidation***

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

### ***Voting Rights***

The holders of Series S Preferred Shares will not be entitled (except as otherwise provided by law) to receive notice of, attend, or vote at, any meeting of the shareholders of BCE unless BCE shall have failed to pay eight dividends on the Series S Preferred Shares, whether or not consecutive. In that event, and for only so long as any such dividends remain in arrears, the holders of Series S Preferred Shares will be entitled to receive notice of and to attend all shareholders' meetings, and to one vote for each share held, except meetings at which only holders of another specified class or series are entitled to vote.

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

### ***Tax Election***

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

### ***Modification***

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

### ***Conversion of Series S Preferred Shares into Series T Preferred Shares***

Holders of Series S Preferred Shares shall have the right, at their option, on November 1, 2001 and on November 1 in every fifth year thereafter (a "Conversion Date"), to convert, subject to the terms and conditions attaching to such shares, all or any Series S Preferred Shares registered in their name into Series T Preferred Shares of BCE on the basis of one Series T Preferred Share for each Series S Preferred Share. The conversion of Series S Preferred Shares may be effected by surrender of the certificate(s) representing the same not earlier than 45 days prior to the Conversion Date but not later than the close of business on the 14th day preceding the Conversion Date at any office of any transfer agent of BCE at which the Series S Preferred Shares are transferable accompanied by payment or evidence of payment of the tax (if any) payable, as provided in the terms and conditions attaching to the Series S Preferred Shares, and a written instrument of surrender in form satisfactory to BCE duly executed by the holder or his attorney authorized in writing.

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

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

If BCE gives notice to the holders of the Series S Preferred Shares of the redemption of all the Series S Preferred Shares, BCE shall not be required to give notice as provided hereunder to the holders of the Series S Preferred Shares of a Selected Percentage Rate for the Series T Preferred Shares or of the conversion right of holders of Series S Preferred Shares and the right of any holder of Series S Preferred Shares to convert such Series S Preferred Shares shall cease and terminate in that event.

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

On September 25, 1996, the board of directors of BCE authorized the creation of 8,000,000 Series T Preferred Shares of BCE issuable upon conversion of Series S Preferred Shares. The Series T Preferred Shares will have attached thereto the series provisions summarized below. BCE will furnish upon request a copy of the text of the provisions attaching to the Series T Preferred Shares.

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

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

“Annual Dividend Rate” means for any Fixed Dividend Rate Period the rate of interest expressed as a percentage per annum (rounded to the nearest one-thousandth (1/1000) of one percent (1%)) which is equal to the Government of Canada Yield multiplied by the Selected Percentage Rate for such Fixed Dividend Rate Period.

“Fixed Dividend Rate Period” means for the initial Fixed Dividend Rate Period, the period commencing on November 1, 2001 and ending on and including October 31, 2006, and for each succeeding Fixed Dividend Rate Period, the period commencing on the day immediately following the end of the immediately preceding Fixed Dividend Rate Period and ending on and including October 31 in the fifth year immediately thereafter.

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

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

### ***Issue Price and Stated Value***

The Series T Preferred Shares will have an issue price and stated value of \$25.00 per share.

### ***Dividends***

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

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



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

The holders of Series T Preferred Shares, who are also holders of Common Shares, may elect to reinvest all of the cash dividends payable to them on the Series T Preferred Shares in Common Shares under BCE's Dividend Reinvestment and Stock Purchase Plan.

### ***Redemption***

The Series T Preferred Shares will not be redeemable prior to November 1, 2006. The Series T Preferred Shares will be redeemable, subject to applicable law and to "Restrictions on Dividends and Retirement of Shares", on November 1, 2006 or on November 1 in every fifth year thereafter, at the option of BCE, in whole but not in part, at \$25.00 per share, plus an amount equal to all accrued and unpaid dividends up to but excluding the date of redemption. Notice of the redemption will be given by BCE not less than 45 days nor more than 60 days prior to the date fixed for redemption.

### ***Conversion of Series T Preferred Shares into Series S Preferred Shares***

Holders of Series T Preferred Shares shall have the right, at their option, on November 1, 2006 and on November 1 in every fifth year thereafter (a "Conversion Date"), to convert, subject to the terms and conditions attaching to such shares, all or any Series T Preferred Shares registered in their name into Series S Preferred Shares of BCE on the basis of one Series S Preferred Share for each Series T Preferred Share. The conversion of Series T Preferred Shares may be effected by surrender of the certificate(s) representing the same not earlier than 45 days prior to the Conversion Date but not later than the close of business on the 14th day preceding the Conversion Date at any office of any transfer agent of BCE at which the Series T Preferred Shares are transferable accompanied by payment or evidence of payment of the tax (if any) payable, as provided in the terms and conditions attaching to the Series T Preferred Shares, and a written instrument of surrender in form satisfactory to BCE duly executed by the holder or his attorney authorized in writing.

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

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

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

### ***Purchase for Cancellation***

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

### ***Restrictions on Dividends and Retirement of Shares***

BCE will not, without the approval of the holders of outstanding Series T Preferred Shares:

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

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

### ***Rights on Liquidation***

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

### ***Voting Rights***

The holders of Series T Preferred Shares will not be entitled (except as otherwise provided by law) to receive notice of, attend, or vote at, any meeting of the shareholders of BCE unless BCE shall have failed to pay eight dividends on the Series T Preferred Shares, whether or not consecutive. In that event, and for only so long as any such dividends remain in arrears, the holders of Series T Preferred Shares will be entitled to receive notice of and to attend all shareholders' meetings, and to one vote for each share held, except meetings at which only holders of another specified class or series are entitled to vote.

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

### ***Tax Election***

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

## **Modification**

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

## **RATINGS**

The Series S Preferred Shares are rated P-1 by CBRS Inc. (“CBRS”), the highest of the five standard categories used by CBRS for preferred shares. The Series S Preferred Shares are rated Pfd-2 by Dominion Bond Rating Service Limited (“DBRS”), the second highest of the five standard categories used by DBRS for preferred shares.

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

## **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Messrs. Josef J. Fridman and Marc J. Ryan, Senior Vice-President, Law and Corporate Secretary, and General Counsel, respectively of BCE Inc., and of Ogilvy Renault, Montreal, a general partnership, at the time of issue, the following is a general summary of the principal Canadian federal income tax considerations generally applicable to a prospective purchaser who, within the meaning of the *Income Tax Act* (Canada) (the “Act”), is resident in Canada, will hold Series S Preferred Shares or Series T Preferred Shares as capital property and deals at arm’s length with BCE. Under the Act and draft legislation initially tabled on June 1, 1995, and released again on June 20, 1996 as part of the Notice of Ways and Means Motion, shares, including the Series S Preferred Shares and Series T Preferred Shares issued upon conversion of Series S Preferred Shares, acquired by certain holders, including “restricted financial institutions” (as defined in the Act), registered or licensed investment dealers or corporations controlled by one or more of the foregoing, will generally not be held as capital property by such holders and will be subject to special “mark-to-market” rules.

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

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

### **Taxation of Dividends**

Dividends (including deemed dividends) received on the Series S Preferred Shares and Series T Preferred Shares by an individual will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

Dividends (including deemed dividends) received on the Series S Preferred Shares and Series T Preferred Shares by a corporation other than a “specified financial institution”, as defined in the Act, will be included in computing the corporation's income and will generally be deductible in computing the taxable income of the corporation.

Dividends (including deemed dividends) received on the Series S Preferred Shares and Series T Preferred Shares by a corporation that is a “specified financial institution”, within the meaning of the Act, will be included in computing the corporation's income and will generally be deductible in computing the corporation's taxable income, provided the Series S Preferred Shares and Series T Preferred Shares are not “term preferred shares” within the meaning of the Act at the time the dividend is paid. A share may be considered a term preferred share if, as a consequence of its terms or conditions, the issuing corporation or any person related thereto or any partnership or trust of which the issuing corporation or a person related thereto is a member or beneficiary “may reasonably be expected at any time to redeem, acquire or cancel, in whole or in part, the share or reduce its paid-

up capital”. Nesbitt Burns Inc. has delivered its opinion of even date herewith that the terms and conditions of the Series S Preferred Shares and Series T Preferred Shares are not such that, as a consequence of such terms and conditions, BCE or a person related thereto or any partnership or trust of which BCE or a person related thereto is a member or beneficiary may reasonably be expected at any time to redeem, acquire or cancel, in whole or in part, any of the Series S Preferred Shares and Series T Preferred Shares or to reduce their paid-up capital. Based and relying, in part, on such opinion, the Series S Preferred Shares and Series T Preferred Shares will not be, in the opinion of counsel, term preferred shares.

A private corporation, as defined in the Act, or any other corporation controlled by or for the benefit of an individual or a related group of individuals, will generally be liable to pay a 33% refundable tax under Part IV of the Act on dividends received (or deemed to be received) on the Series S Preferred Shares and Series T Preferred Shares to the extent such dividends are deductible in computing its taxable income.

The Series S Preferred Shares and Series T Preferred Shares are “taxable preferred shares” as defined in the Act. The terms of the Series S Preferred Shares and Series T Preferred Shares require BCE to make the necessary election under Part VI.1 of the Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Act on dividends paid (or deemed to be paid) by BCE on the Series S Preferred Shares and Series T Preferred Shares. Consequently, provided that such election is made, dividends on the Series S Preferred Shares and Series T Preferred Shares received (or deemed to be received) by corporations, including “specified financial institutions”, will not be subject to the 10% tax payable under Part IV.1 of the Act.

### **Dispositions of Series S Preferred Shares and Series T Preferred Shares**

A holder who disposes of or is deemed to dispose of Series S Preferred Shares and/or Series T Preferred Shares will generally realize a capital gain (or sustain a capital loss) to the extent that the holder’s proceeds of disposition, net of any costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder. If the holder is a corporation, any capital loss may in certain circumstances be reduced by the amount of certain dividends, including certain deemed dividends, which have been received on the Series S Preferred Shares and/or Series T Preferred Shares. Analogous rules apply to a partnership or trust of which a corporation is a member or beneficiary.

### **Redemption of Series S Preferred Shares and Series T Preferred Shares**

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

### **Conversion of Series S Preferred Shares and Series T Preferred Shares**

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

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Series S Preferred Shares offered hereunder is Montreal Trust Company at its principal offices in St. John’s, Halifax, Charlottetown, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary, Edmonton and Vancouver.

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

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

**CERTIFICATE OF BCE Inc.**

Dated: October 9, 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 Quebec.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

(Signed) L.R. Wilson  
Chairman and Chief Executive Officer

(Signed) R.W. Osborne  
President

On behalf of the Board of Directors:

(Signed) W. Chippindale  
Director

(Signed) L.B. Vaillancourt  
Director

## CERTIFICATE OF UNDERWRITERS

Dated: October 9, 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 Quebec.

**Nesbitt Burns Inc.**

**ScotiaMcLeod Inc.**

by: (signed)  
L. Bachand

by: (signed)  
Steven Abrams

**TD Securities Inc.**

**Lévesque Beaubien  
Geoffrion Inc.**

by: (signed)  
J. Longpré

by: (signed)  
J. McKinnell

**CIBC Wood Gundy  
Securities Inc.**

**Midland Walwyn  
Capital Inc.**

**Gordon Capital  
Corporation**

**First Marathon Securities  
Limited**

by: (signed)  
David Clifford

by: (signed)  
K. MacKinnon

by: (signed)  
L.H. Goth

by: (signed)  
A. Denis

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

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

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

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

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

**Midland Walwyn Capital Inc.:** wholly-owned by Midland Walwyn Inc.;

**Gordon Capital Corporation:** J.R. Connacher, J.N. Green, Pacific Century G.C. Holdings Inc. and D.G. Nelson; and

**First Marathon Securities Limited:** wholly-owned subsidiary of First Marathon Inc.

October 9, 1996

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

W. Chippindale

L.B. Vaillancourt



October 9, 1996