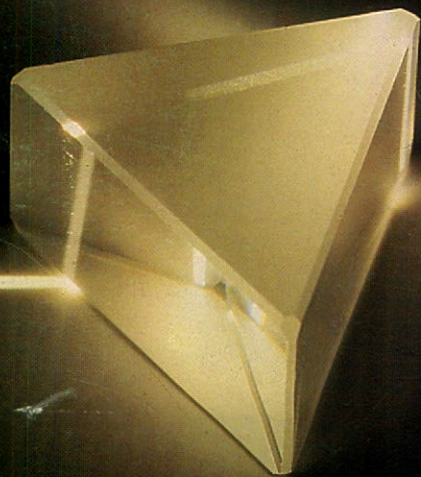


# BRUNCOR INC

1985: FIRST ANNUAL REPORT  
AND CORPORATE OUTLOOK

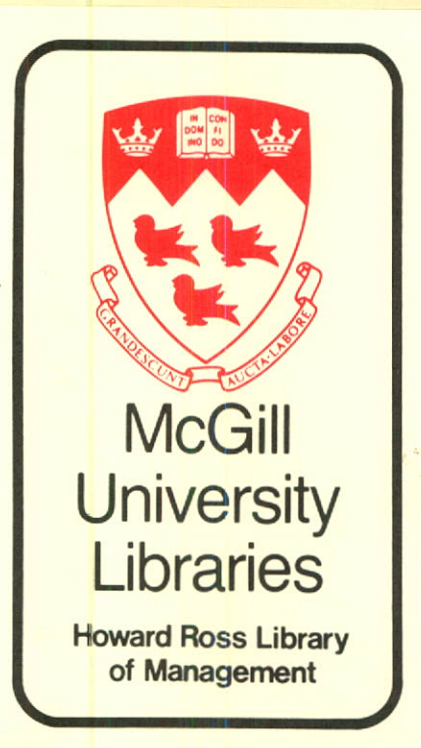
***"We have embarked  
on a wider venture"***



TELECOMMUNICATIONS / REAL ESTATE / HIGH-TECH DEVELOPMENT...



Cover: A prism splits a single beam of light symbolizing the spectrum of opportunities available to Bruncor.



## REPORT AT A GLANCE

	1985	1984	% Change
<b>FINANCIAL STATISTICS</b>			
Earnings per common share .....	\$ 1.62	\$ 1.79	(9.5)
Dividends declared per common share .....	\$1.180	\$1.135	4.0
Common equity per common share (December 31) ..	\$12.71	\$11.79	7.8
Return on common shareholders' equity .....	13.3%	15.6%	(14.7)
Return on total invested capital .....	12.2%	13.2%	(7.6)

### INCOME STATEMENT SUMMARY (in thousands)

Operating revenues .....	\$243 931	\$229 591	6.2
Operating expenses .....	170 545	154 477	10.4
Interest on long-term debt .....	17 194	17 672	(2.7)
Other income net of other charges .....	1 022	1 695	(39.7)
Income taxes .....	29 614	30 491	(2.9)
Minority interest .....	1 112	1 159	(4.1)
Net income .....	<u>\$ 26 488</u>	<u>\$ 27 487</u>	(3.6)

### FINANCIAL POSITION ITEMS (in thousands)

Total assets .....	\$550 056	\$472 470	16.4
Shareholders' equity .....	\$228 698	\$184 832	23.7
Long-term debt (including current portion) .....	\$193 662	\$164 545	17.7

### NBTel OPERATING STATISTICS

Gross capital expenditures (in thousands) .....	\$ 60 507	\$ 60 363	0.2
Telephones in service (December 31) .....	459 076	439 446	4.5
Long-distance messages (in thousands) .....	60 396	54 000	11.8

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## CORPORATE PROFILE

Bruncor Inc. is a diversified growth company with a blue-chip foundation.

The company was formed July 1, 1985 following a restructuring of The New Brunswick Telephone Company, Limited (NBTel). NBTel is the major supplier of telecommunications services in the province of New Brunswick and remains Bruncor's principal subsidiary.

In addition to NBTel, Bruncor currently has holdings in commercial real-estate properties and high-technology development.

Bruncor's mission is to adopt a program of diversification which will:

- ✓ give shareholders improved earnings;
- ✓ lessen the company's dependence on its regulated-utility operations;
- ✓ give the company greater flexibility in responding to changes in its operating environment;
- ✓ provide greater opportunities for its employees; and
- ✓ help move New Brunswick's economy from a resource to a knowledge base.





### REPORT FROM THE CHAIRMAN

*The formation of Bruncor is particularly significant for our shareholders*

The past 12 months have been historic ones for this corporation. Almost overnight we have changed from a traditional public utility to a company with the potential to expand and develop new markets in new business areas.

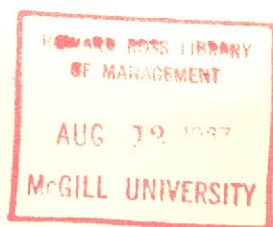
The formation of Bruncor Inc. is particularly significant for our shareholders and for the future of this company. In many ways, Bruncor's creation can be traced to 1965 when Ed Graham (Bruncor vice-president) and I, with the support of the board of directors, established a series of straightforward strategies for NBTel. We said:

***“We decided the time was right to expand our horizons”***

- ✓ NBTel should earn a rate of return which was competitive with other public companies in its class and do it with reasonable prices for its services;
- ✓ It had always been an assumption that a utility could recover costs over a long period. We anticipated this would not always be true — the nature of the telecommunications business was changing. We concluded that rather than capitalizing certain costs, they should be charged to expense as they occurred. Our regulator agreed and we changed our accounting procedures to be more in line with other businesses;
- ✓ To meet the needs of our shareholders, who we believed were looking for growth in their NBTel investment, we decided a pattern of gradual increases in both dividends and retained earnings was required. That growth pattern was established;
- ✓ Finally, we said we must accomplish the first three objectives by providing superb service to our customers. To do that, we began a vigorous campaign of capital construction and service improvements deploying the best and latest technology. As a result, NBTel provides excellent service to its customers at prices which represent outstanding value.

By 1985 the success of this program, initiated 20 years ago, had placed us in the enviable position of attracting more new equity capital from investors than NBTel required for its immediate needs. Rather than shut off this inflow of equity, we decided the time was right to expand our horizons and make good use of these funds.

With Bruncor we have embarked on a wider venture which will provide scope for diversification with more profit potential. At the same time, telecommunications operations continue to present many opportunities. This dynamic aspect of our business is a growth area of considerable magnitude and will receive our unflinching attention. This is evidenced by the \$70 million capital expenditures planned for





NBTel in 1986 and a forecast requirement for investment of nearly \$400 million in the next five years.

Earnings from our telecommunications operations did decline in 1985. Because high demand for telecommunications services increases current operating expenses (170.2 million in 1985), these results can be partially attributed to our continued growth. Of course, in the long term, these costs are recovered through increased sales or by higher prices, but the immediate impact of a 19 630 net-telephone gain and other growth pressures is negative.

These pressures, combined with lower-than-anticipated returns from the Telecom Canada revenue settlement plan and an increase in depreciation expense, have resulted in a reduction in NBTel's net income applicable to common shares, from \$27.5 million in 1984 to \$26.4 million in 1985.

For this reason, and because of a large increase in the average number of Bruncor common shares outstanding in 1985, earnings per common share for Bruncor last year were \$1.62, compared with \$1.79 earned by NBTel in 1984.

#### **WHERE WE'RE GOING**

Making acquisitions or expanding existing businesses will help put Bruncor on the road to success. We intend to associate ourselves with a limited number of other companies where we can add value and give support as required. This will create new value for the customers, employees and shareholders of all concerned.

Although we are based in New Brunswick, we believe it wise to expand our interests into other markets. Opportunities must be taken where they can be found. With that in mind, we will search for business activities which are reasonably accessible from our headquarters in Saint John.

We recognize, in the long run, that growth in value must be founded upon the generation of wealth from new enterprise — a process involving creativity, development and risk. At the same time, we believe our shareholders expect a balance between current earnings and growth potential. Our goal is to continue to successfully address these important considerations.

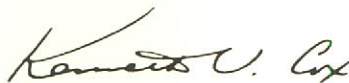
#### **NEW BRUNSWICK MUST ALTER ITS INDUSTRIAL BASE**

Bruncor will encourage the growth of knowledge-based industries to supplement and diversify the provincial economy. Many believe that knowledge-based industries should, in time, exceed the contributions of the resource-based sector to the province. Bruncor is an excellent example of a knowledge-based industry. I believe if we want to keep New Brunswickers employed, this change in direction is the most attractive avenue open to us. Government and other agencies should actively support and encourage this development.

NBTel and Bruncor are important to the province and should be recognized as such. We are more than a utility — and have been for many years. We have used our capabilities in many ways to promote the development of New Brunswick and to expand beyond our telecommunications operations. One need only look at our initiative in the redevelopment of downtown Saint John and Fredericton to see tangible evidence of that.

#### **AN EXCITING FUTURE**

Bruncor has been structured to utilize the management skills and shareholder confidence which have been gained over many successful years. Bruncor has acted to meet the future head on — to foster entrepreneurship, to effectively provide utility services, to allow for diversification and to promote economic growth. Results are seldom instantaneous, but the confidence expressed by our shareholders has been. What is contained in this spectrum of opportunity? We can't be sure, but the coming years promise to be challenging, exciting and, as we selectively and carefully grow, rewarding as well.



*Kenneth V. Cox*  
Chairman of the Board and President  
January 27, 1986

***“Growth in value must be founded upon the generation of wealth from new enterprise”***







Overleaf: Using computer-aided design equipment, a graphic artist develops concepts for the corporation's new logotype.

## **BRUNCOR INC. — A NEW VISION, A NEW MISSION**

*"... we want to organize ourselves in a way that will allow more flexibility to take advantage of new business opportunities and... to protect and enhance your future earnings and dividend-growth prospects..."*

With these remarks to shareholders at the company's 1985 Annual Meeting, NBTel Chairman and President Kenneth V. Cox set in motion a corporate restructuring which changed the company's destiny.

At a subsequent special meeting held April 18, shareholders overwhelmingly endorsed plans to establish Bruncor Inc. as the parent company of NBTel.

The formation of Bruncor Inc. had no immediate impact on NBTel's operations. NBTel remains the backbone of Bruncor. And even as Bruncor executes its diversification plans, the telecommunications operations will retain an important place in a balanced investment strategy.

The concept of a new corporate structure built around a successful utility was recognized by company management and directors as the most appropriate way to enhance earnings prospects.

But the decision to form Bruncor was a combination of several factors. The restructuring gives the new company greater flexibility in reacting to changes in its operating environment and opens new opportunities for investment.

### **RESTRUCTURING COMPLETED JULY 1**

The restructuring was completed July 1 when NBTel common shareholders became holders of an equal number of Bruncor Inc. shares. The Toronto Stock Exchange and The Montreal Exchange were notified and NBTel common shares ceased to be listed. Instead, a new ticker symbol — BRR for Bruncor Inc. — appeared.

Shareholders who participated in the NBTel Common Shareholders' Dividend Reinvestment and Stock Purchase Plan were automatically enrolled in a similar plan for Bruncor stock. NBTel's Employee Stock Plan, an important, ongoing source of equity, was also amended to allow NBTel employees to buy Bruncor stock.

### **BRUNCOR — ITS IMMEDIATE PLANS**

Using retained earnings and funds provided by shareholders, Bruncor will not only continue to expand its telecommunications operations, but it will also diversify into other lines of business. To accomplish this mission, the corporation will rely on strengths established over NBTel's 98-year history.

As Bruncor carries out its investment strategy, the strong management skills which have made NBTel one of the most efficient and modern telecommunications carriers in the world will be vitally important. NBTel's financial strengths and its *service* orientation will also add value to Bruncor's diversification plans.

While it is Bruncor's intention to stimulate and encourage economic growth in New Brunswick, expansion into other geographic areas, including the northeastern United States, will be considered.

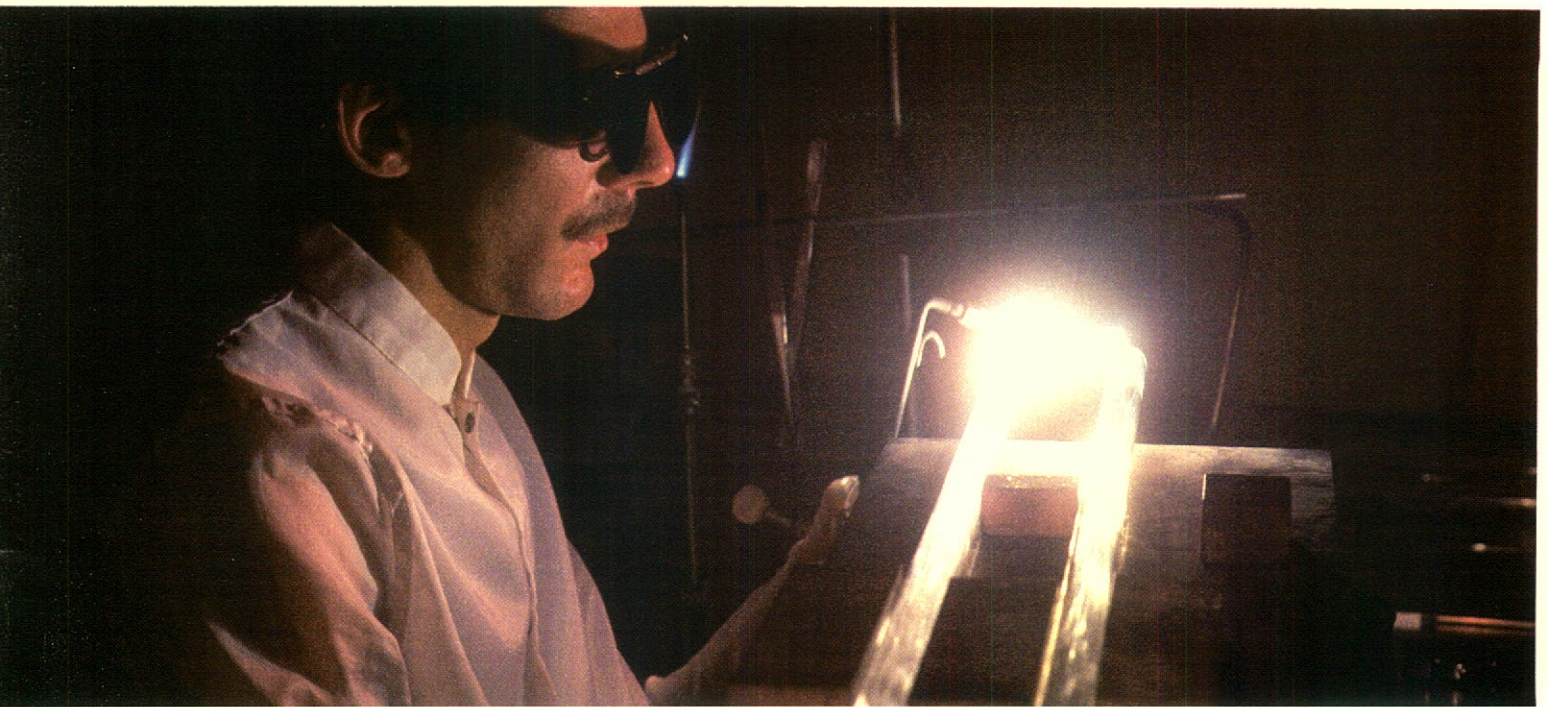
It is the company's objective to successfully complete at least one major investment by the end of 1986. To aid this objective, Bruncor reacted to favourable stock-market conditions and issued 1.4 million common shares with net proceeds of \$23.9 million. These shares were issued just 15 weeks after the restructuring. One million shares sold publicly (giving the company more than 600 new shareholders) while the additional 442 500 shares were purchased by Bell Canada Enterprises Inc. (BCE), maintaining their 30.7% ownership of Bruncor. The shares were issued at \$17 each and the complete sale of the new issue demonstrated the investment community's confidence in Bruncor.

**"The restructuring gives the new company greater flexibility in reacting to changes in its operating environment"**



**G. EDWIN GRAHAM**, vice-president (corporate development): "In addition to expanding from new investments, we expect Bruncor to experience solid growth in its telecommunications business."





Heat-resistant quartz glassware is one of the specialized products of Process Technology Limited.



**B. W. COSMAN**, secretary-treasurer: "One of the most tangible indicators of Bruncor's acceptance has been the substantial expansion of our shareholder base."

### EXPANDED BUSINESSES

As a result of the July 1 restructuring, Bruncor acquired a former NBTel subsidiary, Bruntel Holdings Ltd. This real-estate operation has interests in two downtown commercial complexes — one each in Saint John and Fredericton. In July, Bruncor, through Bruntel Holdings Ltd., increased its ownership in Saint John's Brunswick Square complex from 30% to 50%. (See *Real-estate holdings expanded*, page 8.)

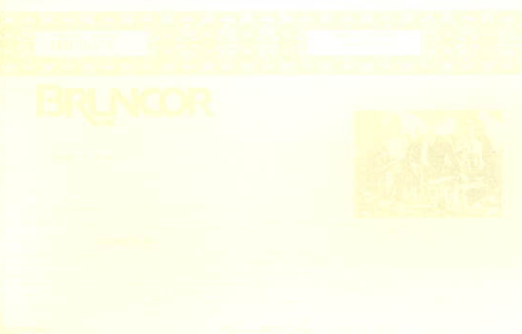
### BRUNCOR AND NBTel DIVERSIFY ACTIVITIES

Both on its own and through NBTel, Bruncor has already taken a number of steps towards expanding its business horizons.

In July, Bruncor made an investment in the Oromocto, New Brunswick-based Process Technology Limited (PTL). To accomplish the \$1.26-million investment, Bruncor established a venture-capital subsidiary called Brungro Inc.

Brungro acquired a 12.4% interest in PTL to help that company embark on an ambitious \$6.5-million expansion project. Since it was formed in 1982, PTL has carved a niche for itself in the semi-conductor industry and was the recent recipient of medals for marketing and entrepreneurship from the *Canada Awards of Excellence* program. PTL's sales have grown from \$635 000 in its first year of operations to \$7.5 million by 1985 year-end.

A recent development by PTL involves a method of reducing hazardous exhaust gases in micro-chip chemical production units. The new method will be used to enhance PTL's existing low-pressure, chemical-vapour deposition system.





**“The new company fits the corporation’s goal of developing knowledge-based industry”**



**NBTel, BLUE CROSS TO ESTABLISH DATA-PROCESSING OPERATIONS**

In early January 1986, NBTel and Blue Cross of Atlantic Canada reached agreement to create a jointly owned data-processing services company. Under terms of the agreement NBTel will be the majority shareholder.

The new company will assume ownership of the data-processing centres currently operated by Blue Cross in Moncton and NBTel in Saint John. The immediate purpose will be to provide all the mainframe data-processing services required by both companies. NBTel will invest approximately \$1 million in the venture.

The formation of the company presents several advantages to both owners. It will minimize data-processing costs for NBTel and Blue Cross while providing important back-up facilities in the event of service disruptions at either installation. The firm will also seek additional business opportunities to add to Blue Cross and NBTel profit levels.

In the long term, the new company fits the corporation’s goal of developing knowledge-based industry in New Brunswick.

**BRUNCOR MOVES INTO PUBLISHING, ADVERTISING**

Effective December 20, 1985, responsibility for publishing telephone directories for NBTel was assumed by Bruncor. The new arrangement includes an agreement between Bruncor and Tele-Direct (Canada) Inc., a wholly owned subsidiary of BCE. Under terms of the agreement, Tele-Direct will sell all Yellow Pages advertising in the province and will co-ordinate printing of phone books.

Negotiations are also underway between Bruncor and Ronalds-Federated Limited, a subsidiary of Tele-Direct. Under terms of the proposal, Bruncor will make a significant investment in a joint venture to establish a printing plant in Saint John. The plant would be the most modern and efficient of its type in Atlantic Canada. The high-capacity presses would be used to print telephone directories as well as large volumes of commercial printing for other customers.

Negotiations should be completed by mid-year. Ronalds-Federated is one of the largest commercial printing companies in North America with 55 plants and 5 500 employees.

Bruncor will take an active role in these business opportunities with a goal of developing specialized advertising and publishing markets.

**OPERATING REVENUES EXCEED \$240 MILLION**

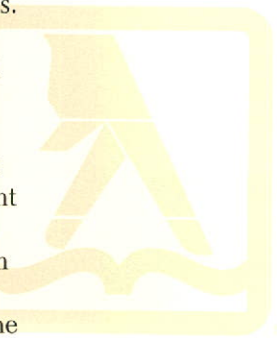
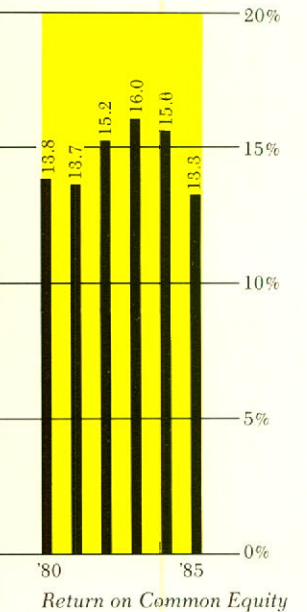
Net income for the year was \$26.5 million, down 3.6% from one year earlier. On a per-share basis, earnings for 1985 were \$1.62, compared with 1984 results of \$1.79.

Operating revenues from the group totalled \$243.9 million, up 6.2% over 1984. The principal contributor to revenues was NBTel, which experienced increases in demand for telecommunications services. Operating expenses of \$170.5 million for the group (\$170.2 million for NBTel) were also affected by the increased demand. Depreciation and maintenance of NBTel telecommunications property accounted for 43.9% of Bruncor’s operating expenses.

An in-depth explanation of the year’s financial results can be found in the *Financial Review* section of this report (page 18).

**BRUNCOR DIRECTORS APPOINTED**

Bruncor’s initial board of directors consisted of the members of NBTel’s executive committee. In December, Daniel O. Jarvis joined Bruncor’s board to fill the vacancy created by the resignation of Alfred R. Landry. Mr. Jarvis, 35, is vice-president and treasurer of Bell Canada Enterprises Inc.







COMPUCENTRE

COMPUCENTRE



Overleaf: Brunswick Square is an integral part of the revitalized downtown core of Saint John.

## REAL-ESTATE HOLDINGS EXPANDED

Nationally syndicated columnist Charles Lynch has called Saint John's Brunswick Square the *fanciest downtown shopping mall in the Maritimes*. Last year Bruncor and the Bank of Nova Scotia (BNS) took steps to improve the operation and development of the \$60 million office-hotel-retail complex and increased their ownership.

In association with BNS, Bruncor, through its Bruntel Holdings subsidiary, bought shares of Brunswick Square Ltd. previously held by Trizec Equities of Calgary and MRA Holdings Ltd. The additional shares increased Bruncor's interest from 30% to 50% at a cost of \$4.1 million. The move will allow the owners to more actively pursue further development for the complex.

Built in the mid-1970s to accommodate NBTeI's head office, Brunswick Square sparked the redevelopment of downtown Saint John. Brunswick Square is a high-quality asset of considerable significance to Saint John. The outlook for the complex is positive and the combination of Brunswick Square and Saint John's Market Square is a large-scale attraction for the city.

Like most real-estate ventures, Brunswick Square is a long-term investment and, to maximize its profit potential, must be financed in the most appropriate way. Accordingly, in November, a \$30-million refinancing of the complex was undertaken. Under terms of this refinancing, Bruncor and its principal subsidiary, NBTeI, participated in an agreement which saw NBTeI purchase preferred shares of Brunswick Square Ltd.

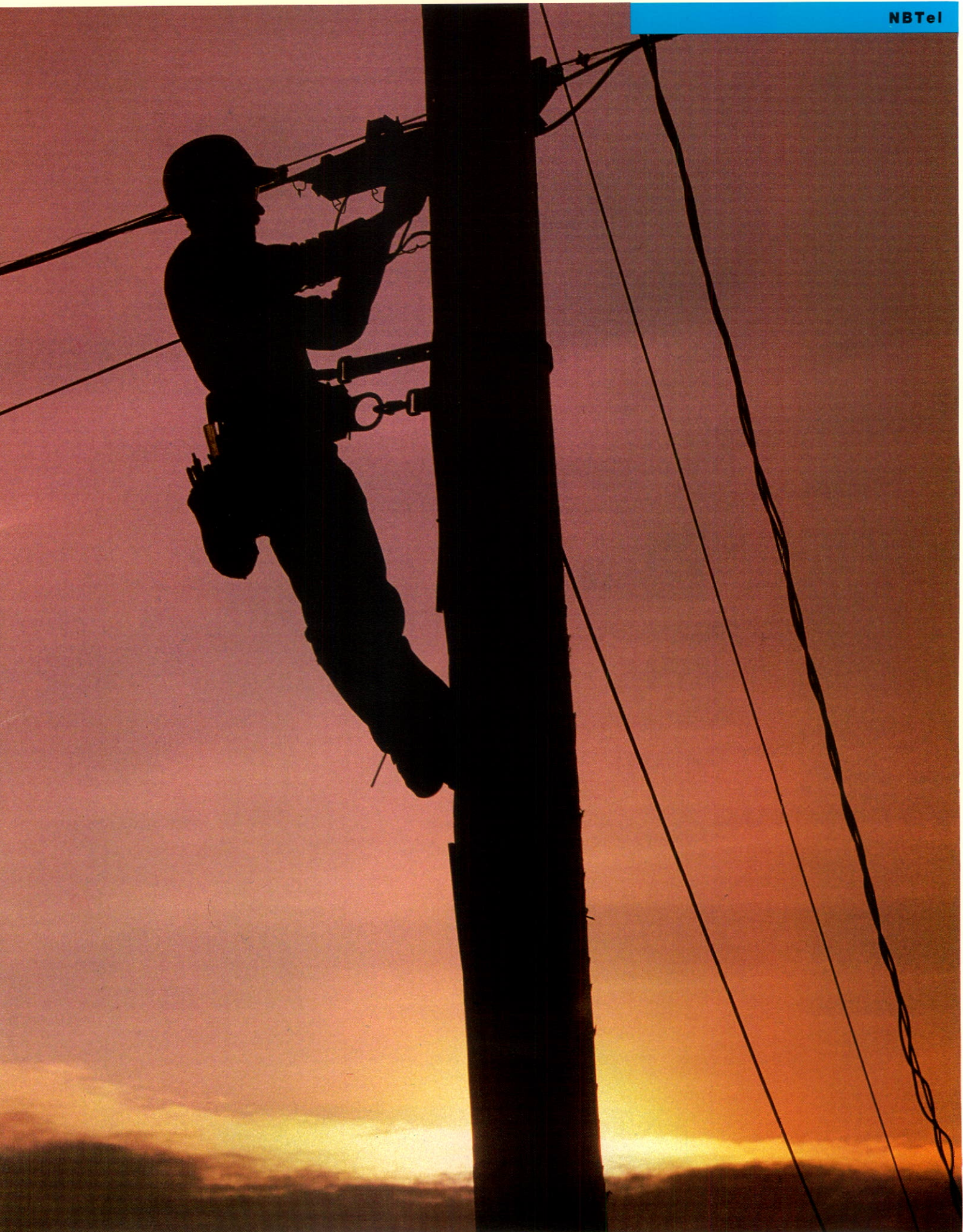
Besides its holdings in Brunswick Square Ltd., Bruntel also has a 15.8% interest in Fredericton Developments Limited, which owns Kings Place, a downtown retail and office complex in the province's capital city.



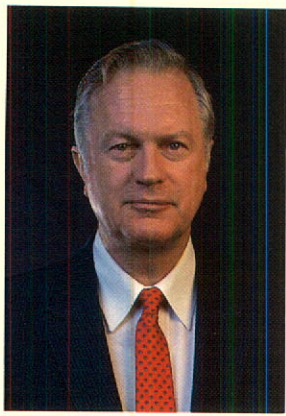
Fredericton's Kings Place is the centre of the capital's shopping district.











**J. A. COOMBS**, vice-president (operations): "Seldom have our opportunities been so significant and not likely will the reward for success be so great as it will be in the next few years."

## STRONG DEMAND FOR SERVICES CONTINUES

*Long-distance traffic, telephone gain surpass forecasts*

Strong demand for telecommunications services continued in 1985 but the immediate effect on financial results produced a bittersweet year for NBTel.

Net income applicable to common shareholders for the year remained strong at \$26.4 million, falling slightly below results of \$27.5 million in 1984. NBTel's rate of return on average common equity for 1985 was 14.1%, down from the record results experienced over the last few years. The year's rate of return was based on average common equity of \$187.1 million (\$176.7 million in 1984).

Increased revenues from long distance, local and other telecommunications services pushed NBTel's 1985 operating revenues to \$243.9 million. This is a 6.3% increase over the previous year. Long distance, the major source of the company's revenues, accounted for 56.1% of total revenues for 1985 (56.3% in 1984).

## OPERATING EXPENSE INCREASES REFLECT STRONG GROWTH

The strong surge in the number of new telephones placed in service caused operating expenses (\$170.2 million) to outpace current-year revenue gains in 1985. Meeting these service demands resulted in a 10.2% increase in operating expenses.

This growth in local-exchange business is positive and, over time, increases NBTel's revenue base. This is consistent with most utilities where expenditures are immediate while revenues are realized in future years.

Recognizing the importance of controlling expenses, NBTel implemented a new form of productivity-improvement in 1982. Expected to increase efficiency by 10%, the program has been highly successful. As the following table illustrates, the company has operated with decreasing staff levels while meeting increased service demands.

In conjunction with its ongoing efforts to improve productivity, the company has allocated nearly \$1 million in 1986 for the introduction of corporate office-management systems. These will help NBTel managers develop system-integration skills to increase efficiency. The introduction will also improve the company's ability to sell similar products to business customers.

**"Growth in local-exchange business is positive and, over time, increases NBTel's revenue base"**

### COMPARATIVE OPERATING STATISTICS

	1981	1982	1983	1984	1985	% change 1985/1981
Employees at year end	2 881	2 595	2 477	2 411	2 474	(14.1)
Employees/1000 phones	7.2	6.3	5.9	5.5	5.4	(25.0)
Station movement <sup>1</sup>	148.4	144.6	149.9	154.7	176.6	19.0
Long-distance messages <sup>2</sup>	41.7	45.0	49.3	54.0	60.4	44.8
Telephones in service <sup>1</sup>	402.1	411.2	422.5	439.4	459.1	14.2
Customer trouble reports <sup>1</sup>	170.6	156.8	156.4	162.2	168.6	(1.2)

<sup>1</sup>in thousands    <sup>2</sup>in millions



## CONSTRUCTION EXPENDITURES – BUILDING FOR THE FUTURE

Growth and modernization of a company's facilities and equipment is an ongoing process and a signal the company is active and healthy. In 1985, NBTel spent in excess of \$60 million meeting this requirement. A strong emphasis on modernization is reflected in the company's continued conversion to digital switching. As the chart below shows, 14% of NBTel's customers are now served by the digital network. By 1990, 39% of the company's customers are expected to have this service.

In 1985, NBTel's digital conversion programs cost \$9.8 million, bringing the total over the last seven years to \$43.1 million.

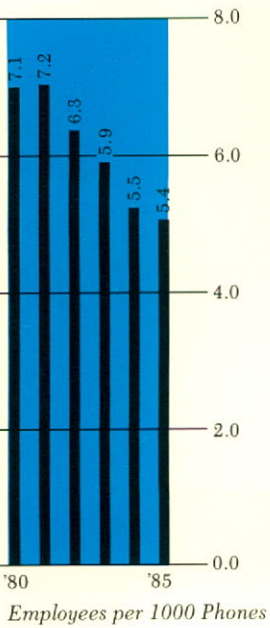
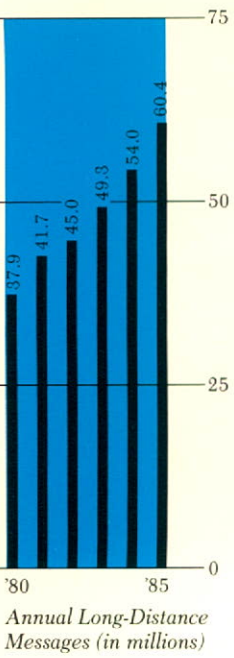
In addition to NBTel's digital programs, the company spent \$14.9 million in 1985 to buy and install new telephone sets, data equipment and mobile telephones.

Other major expenditures in 1985 included \$2.6 million to expand the company's data-processing facilities, \$600 000 as part of an ongoing utility-pole replacement program, \$900 000 to expand the company's mobile-telephone network and \$1.5 million to provide service to business customers.

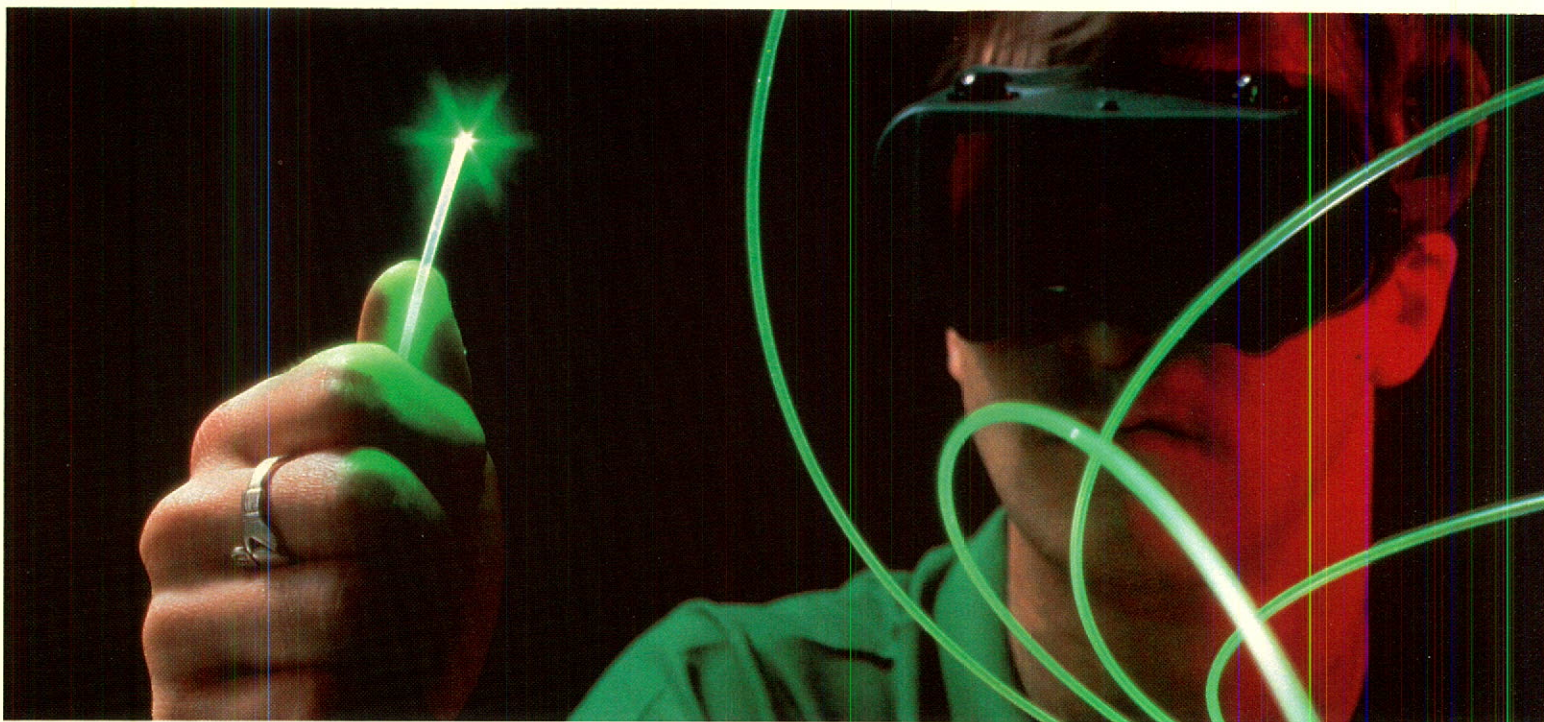
### % OF TELEPHONES IN SERVICE BY TYPE OF EXCHANGE

	1985	1990 <sup>1</sup>
Digital .....	14	39
Electronic .....	15	15
Crossbar .....	32	30
Step-by-Step .....	39	16

<sup>1</sup>Estimated







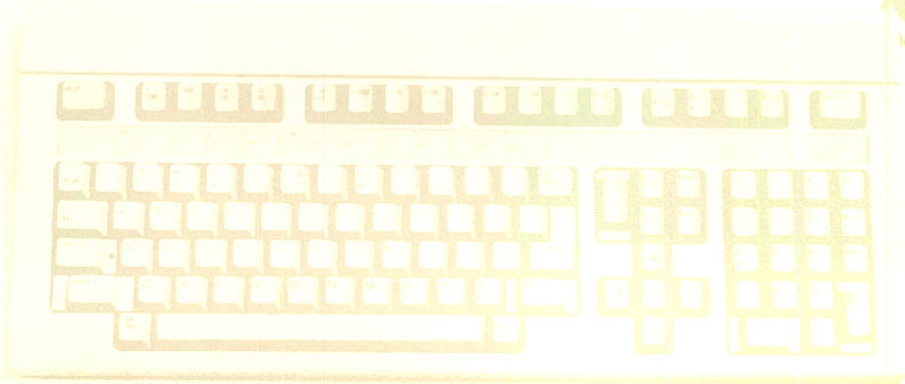
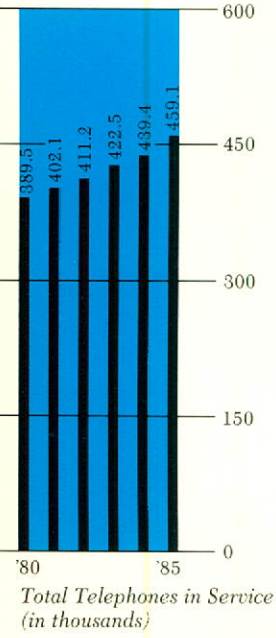
Fibre optics is the key to NBTel's new multi-million-dollar transmission system.

**CONSTRUCTION PROGRAM TO REACH \$70 MILLION IN 1986**

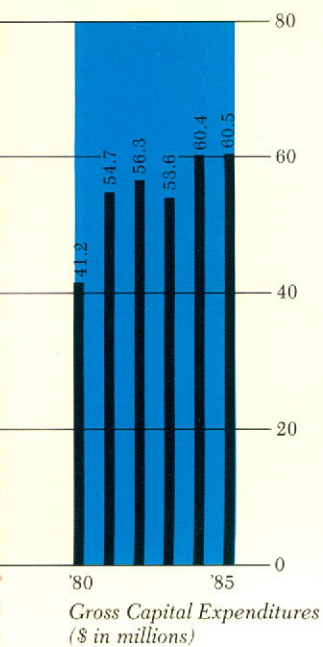
In planning its network, the company must consider expected economic conditions as well as future demands for telecommunications services. NBTel's business is based on managing a complex switching and transmission network so customers can receive the most cost-efficient, easy-to-use services. The advanced technology required by this network means relatively long intervals are required to change network characteristics and increase capacity. Therefore, a large portion of the construction program is directed towards long-term network service and operating goals.

NBTel's current outlook calls for capital spending of \$70 million in 1986 to meet present and future service demands. This includes expenditures for work currently in various stages of construction, as well as other investments to meet forecast service requirements for 1987 and beyond. This program reflects a significant increase in construction activity compared with the recent range of \$50-\$60 million. The increase is caused mainly by the expenditures for two large projects totalling \$12.5 million.

**"A large portion of the construction program is directed towards long-term network service and operating goals"**







**LINO J. CELESTE**, vice-president (planning): "Our mission is to become the dominant supplier of electronic voice, data, image and communications based products and services."

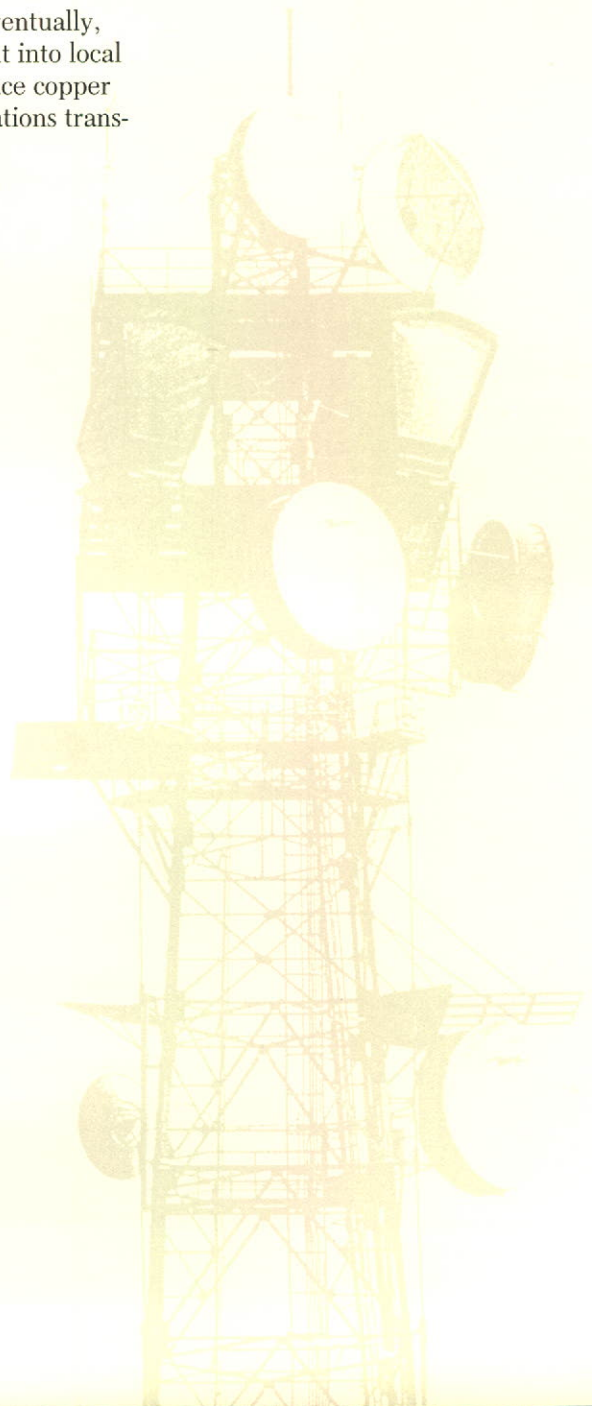
The two major projects are the installation of a \$6.3 million digital switch in Bathurst and \$6.2 million in initial costs for the company's fibre-optic network.

The use of digital switching and transmission equipment to meet growth and to provide service improvements requires major changes and additions to the existing network. To complement the digital switching program, NBTel will employ fibre-optics technology.

Construction of the new province-wide fibre-optics transmission system (FOTS), in conjunction with similar systems being built by other member companies of Telecom Canada, will begin in 1986. This system will eventually become the backbone of the nation-wide transmission network in much the same way microwave transmission systems have been for the last quarter century. Eventually, fibre optics will extend right into local serving areas and will replace copper wires for all telecommunications transmission requirements.

The company's commitment to digital switching and transmission systems using fibre optics will reduce costs over the long-term, increase the quality of transmission and allow NBTel to introduce useful new services for its customers.

This places increased importance on the telecommunications network as a means of connecting information systems for the offices and homes of the future. NBTel's fibre-optics system will provide an efficient, effective way to meet this requirement.







An NBTel-designed range-control system coordinates live-ammunition maneuvers at CFB Gagetown.

### NBTel TAKES AIM AT EXPANDING MARKETS

*Mobile and data sales big gainers*

Canadian Forces Base Gagetown covers 1 000 square kilometres of rugged terrain in south-central New Brunswick. It is one of the largest military training bases of its kind in the world. Thousands of soldiers and airmen from NATO countries train at Gagetown. When their 55-ton Leopard tanks and heavily armed helicopters fire live ammunition, it's a new NBTel-designed communications system which controls the action.

The range-control system is just one example of how NBTel meets the unique needs of each customer. When the Armed Forces decided to upgrade its range-communications equipment, NBTel custom designed a system which met exacting NATO specifications. Based on the company's success at Base Gagetown, NBTel has made numerous other sales of certain mobile and range-control systems to the Armed Forces.

In total, NBTel's mobile group contributed in excess of \$8.2 million to NBTel's operating revenues in 1985. The group exceeded its revenue objective by 9.6% and continues to demonstrate how an ability to find new markets and develop products contributes to the company's success.

Early in 1986 the company will introduce new numeric and alpha-numeric pagers which give users a visual display rather than a tone or voice message. With paging service now available in virtually all parts of the province, growth rates in the 15%-20% range are expected for 1986.

The same principles of bold expansion have been applied by NBTel Data, the company's computer sales and service division.

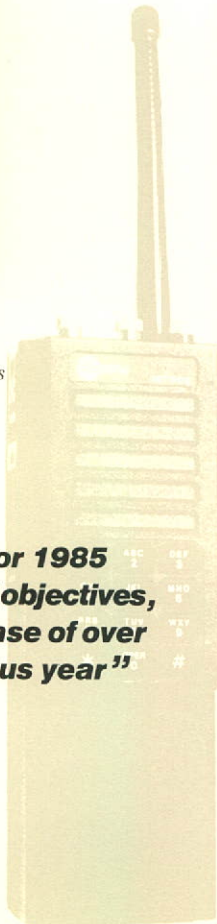
Main Street on Saint John's west side is dominated by the production and warehouse operations of Moosehead Breweries. When Moosehead, the country's largest independent brewery, saw their sales explode in the United States, they turned to NBTel Data to computerize their accounting, inventory and order-entry systems. Now, when the 18 wheelers loaded with the familiar green-and-red labelled Moosehead beer head for the border, it's an NBTel Data system which helps make sure each U.S. distributor receives its proper consignment.

At \$7.9 million, NBTel Data's sales for 1985 were 14.5% ahead of objectives, an impressive increase of over 35% from the previous year. NBTel Data's latest concept is the NBTel Business Centre, a walk-in sales and demonstration office which allows customers to shop for their data communications, mobile and other office-automation needs.



Computerized inventory, accounting and order-entry systems for Moosehead Breweries are supplied by NBTel Data.

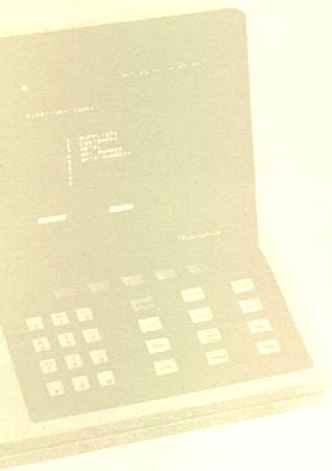
**"NBTel Data's sales for 1985 were 14.5% ahead of objectives, an impressive increase of over 35% from the previous year"**







*NBTel's new Business Centre allows customers to shop for a wide variety of business products.*



In the fall, the company launched an extension of its successful frequent-caller discount program. The expanded plan offers New Brunswick customers a 25% discount on their long-distance calls to one selected exchange anywhere in Canada for a small monthly subscription fee. NBTel, which has offered a similar service on a provincial basis for some time, is now testing the program on behalf of the member companies of Telecom Canada.

**NON-URBAN SERVICE IMPROVEMENTS REMAIN A PRIORITY**

To NBTel's 33 000 residence customers who share their telephone lines, private telephone (single-line) service became more accessible in 1985. As part of continuing efforts to improve service in non-urban areas, the company markedly reduced its provisioning charges for single-line service and now permits customers to pay the fee over a 12-month period. Single-line service is expected to be available to nearly all NBTel customers who desire it by the mid-1990s.



*Production crews working on Paramount's Children of A Lesser God made extensive use of NBTel mobile equipment.*

**NATIONAL AND PROVINCIAL REGULATORS HAND DOWN MAJOR RULINGS**

Decisions by both the Canadian Radio-television and Telecommunications Commission (CRTC) and the New Brunswick Board of Commissioners of Public Utilities (PUB) had far-reaching consequences for NBTel in 1985.

In late August, the CRTC denied an application by CNCP Telecommunications to compete with Bell Canada and B.C. Tel in the market for long-distance messages. Approval of the application would have effectively opened the doors to a form of competition for the transmission of voice long-distance messages in Canada.

Although the CRTC concluded increased competition could yield some benefits, it found long-distance competition was not in the public interest at this time for two main reasons:

1. Long-distance telephone rates are currently priced to offset the cost of providing local service. Unless CNCP were to make similar contribution payments, sharing the market could threaten the telephone companies' ability to maintain affordable basic local-service rates.



2. The CRTC also noted if CNCP were to pay fair compensation for the use of telephone company facilities, the financial viability of CNCP's service would be highly doubtful. In its decision, the CRTC said it felt the quality of service would be threatened along with the principle of basic universal service.

It is unfortunate the CRTC did not address what we and many others perceive as the real issue of the competition question: Is the utility concept for telephone companies a necessity? For many years, NBTel has stated it believes the sharing of the telecommunications market would jeopardize the concept of universal service.

Of more immediate concern was a decision by NBTel's provincial regulator to lower the company's allowed rate of return on common equity. In late 1984, the PUB ordered a hearing to review the company's future rate-of-return requirements. At the hearing, NBTel presented evidence indicating a rate of return in the 15% to 16% range would be appropriate in current economic conditions.

In a September decision, the PUB concluded that an appropriate rate of return on common equity for the company is 13.5%. However, the decision could allow NBTel to earn up to 14.5% as an incentive to manage its operations well.

The company finds it difficult to understand the decision which effectively gave NBTel the lowest allowed rate of return among Canadian telephone companies. However, the company is pleased the PUB included some opportunity to increase its rate of return through productivity improvements.

As part of the decision, the PUB ordered the company to submit a schedule of rates and tariffs which would yield the allowed rate of return. The company's rates submission was based on a required revenue reduction of \$1.9 million from projected revenues for 1986.

After examining all alternatives, the company proposed an adjustment of long-distance rates as the most appropriate means of meeting the PUB's order. This will also help the company with its long-standing goal of rebalancing local and long-distance rates to better reflect their costs. A hearing on NBTel's proposal was held in January and a decision is pending.

## 1986 PROSPECTS

The 1986 New Brunswick economic outlook calls for continued modest growth in the manufacturing and construction sectors. The construction sector, a prime source for net telephone gains, is expected to show a 6.3% real growth in 1986 over the previous year.

Translated into service-demand indicators, the company expects to show a net telephone gain of 16 200 in 1986 (19 630 in 1985). The volume of long-distance messages is expected to increase by 9.0% to 65.8 million (11.8% and 60.4 million for 1985).

## OFFICER AND DIRECTOR CHANGES

In May, secretary-treasurer John T. Reid retired after 44 years service. Mr. Reid will long be remembered and respected for his sensitivity and devotion to the company's employees, shareholders and customers. He was succeeded by Berton W. Cosman, 58, former general manager-intercorporate affairs.

In January 1986, vice-president of operations, James A. Coombs, announced his retirement from NBTel effective February 14. He joined NBTel in 1976 as vice-president of finance and made many valuable contributions over the following decade. Mr. Coombs has been appointed president of Saskatchewan Telecommunications and will assume that post later in February. G. E. Graham, in addition to his responsibilities as a vice-president of NBTel and Bruncor, will assume the duties of vice-president (operations).

At the board of directors meeting held January 27, 1986, three new directors were appointed to NBTel's board. They are: George L. Colter, 39, president of the Diamond Group of companies; Dr. Ginette Gagné-Koch, 42, medical director of The Moncton Hospital; and J. E. (Jack) Sinclair, 49, executive vice-president, corporate, for Bell Canada Enterprises Inc.

The new directors fill the vacancies created by the death of Andrew McCain, the retirement of Burton D. Colter and the resignation of Alfred R. Landry, Q.C., who was recently appointed to the Court of Queen's Bench of New Brunswick. The board thanks Mr. Colter and Mr. Landry for their years of dedicated service.

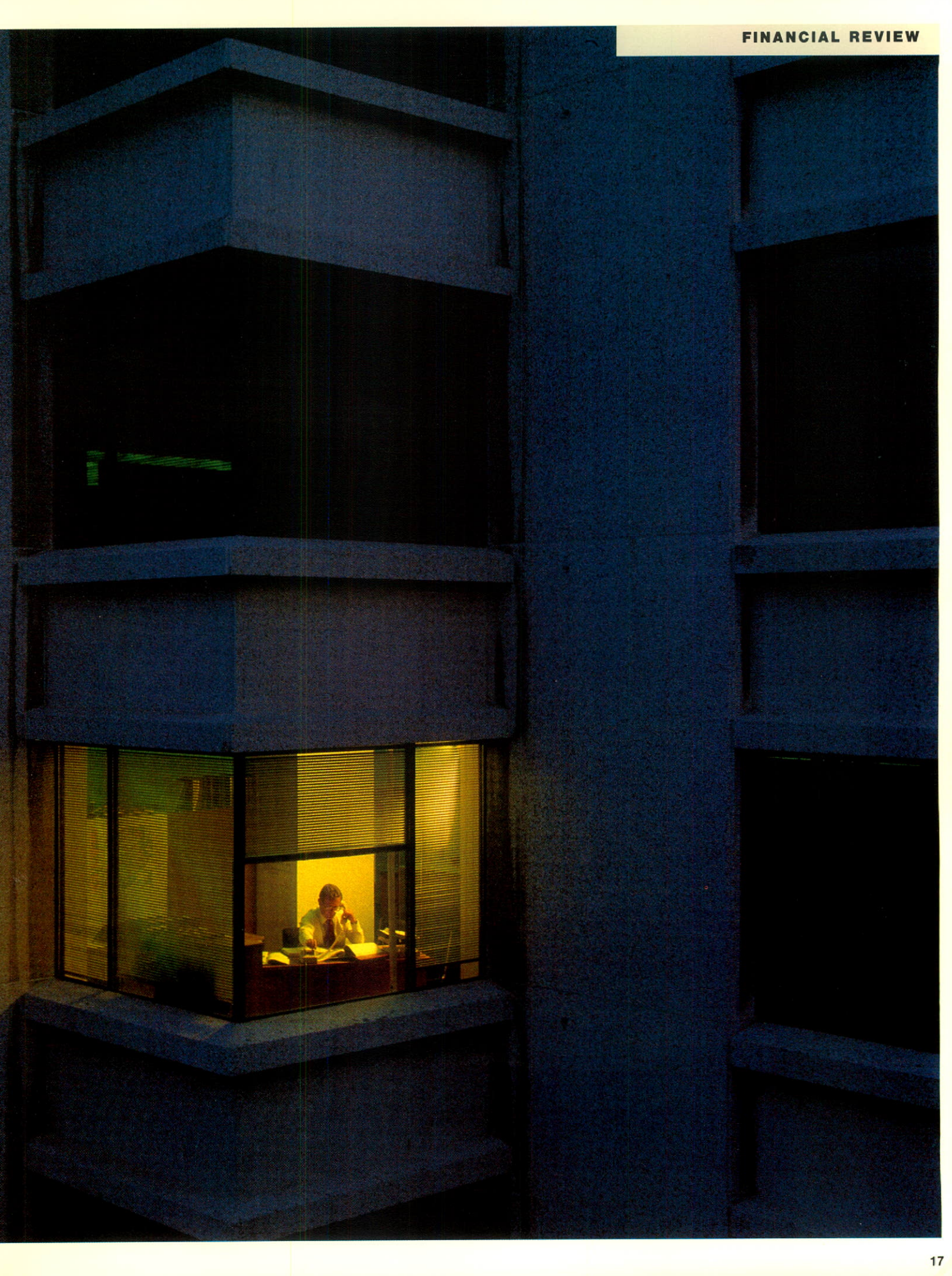


*NBTel's new credit-card phones made their debut in 1985.*

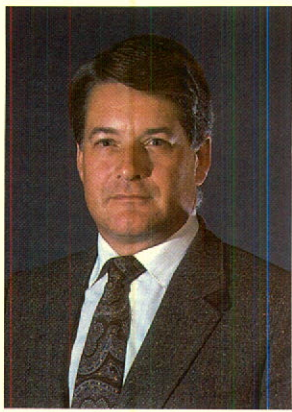


*NBTel employees volunteered thousands of hours organizing and working at Jeux Canada Games 85 events, like the NBTel-sponsored torch run.*









**W. H. R. SMITH**, vice-president (finance): "In 1986 we will continue to cultivate our existing business activities and conduct an extensive search for promising external investments."

## FINANCIAL REVIEW

### OVERVIEW

On July 1, 1985 Bruncor Inc. became the parent corporation of The New Brunswick Telephone Company, Limited (NBTEL) through an exchange of common shares. For periods prior to July 1, NBTEL's consolidated financial statements have been reclassified with respect to the preferred shareholders' minority interest (see note 2 to the consolidated financial statements on page 25). Bruntel Holdings Ltd., which had been a subsidiary of NBTEL, was transferred to Bruncor through a dividend in-kind on July 26.

At present, NBTEL is the principal source of the company's revenue. NBTEL is a regulated utility providing the majority of telecommunications services in New Brunswick. At year end 1985, NBTEL represented 92.5% of the \$550.1 million in assets of the group.

Net income for the Bruncor group totalled \$26.5 million for 1985, down 3.6% when compared to results of \$27.5 million one year earlier. On a per-share basis, earnings for 1985 dropped 17 cents to \$1.62. Earnings per share for 1985 are based on an average of 16 364 469 common shares outstanding, compared to 15 385 565 for the previous year. The number of common shares increased as a result of the company's stock-purchase plans and the issue of approximately 1.4 million common shares in October.

### REVENUES

Operating revenues for the year reached \$243.9 million compared with \$229.6 million for 1984. Increased demand for telecommunications services in the province is the major factor for the 6.2% increase. NBTEL's last general increase in rates and tariffs was in early 1983. Total operating revenues for the last five years (since 1980) have increased at an annual compound rate of 10.0%.

Revenues from long-distance services represent the majority of the total. For 1985, long-distance revenues totalled \$136.8 million or 56.1% of the year's revenues (\$129.3 million or 56.3% in 1984).

Long-distance revenues can be broken into two major sources: revenues from calls made within New Brunswick (intra-provincial), and revenues from calls made to points outside the province (inter-provincial).

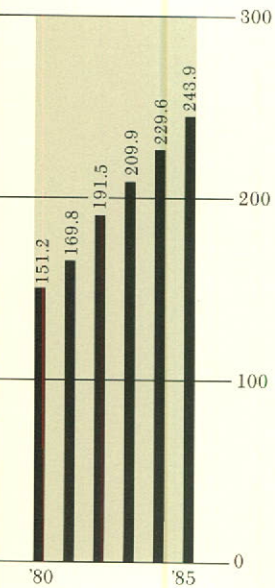
Intra-provincial long-distance revenues totalled \$50.4 million for 1985 (\$45.8 million in 1984) for an increase of 10.0%. Revenues from inter-provincial long-distance calling grew 3.8%, with revenues from this source totalling \$82.3 million (\$79.3 million in 1984). A lower-than-anticipated share of Telecom Canada's revenue settlement plan was the main reason for the lack of growth in inter-provincial revenues.

Long-distance revenue growth was spurred mainly by volume increases. For 1985, the volume of long-distance messages increased 11.8% to 60.4 million.

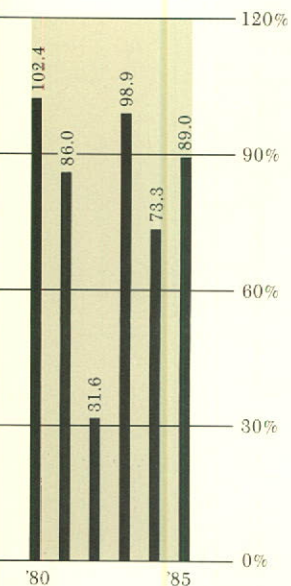
Recently, the company's high-volume business long-distance discount services have recorded rapid growth. Together WATS and 800 service contributed over \$7.7 million to company revenues in 1985.

Revenues from local-telephone services also increased as revenues from new telephones installed in 1984 had a full year to contribute to results.

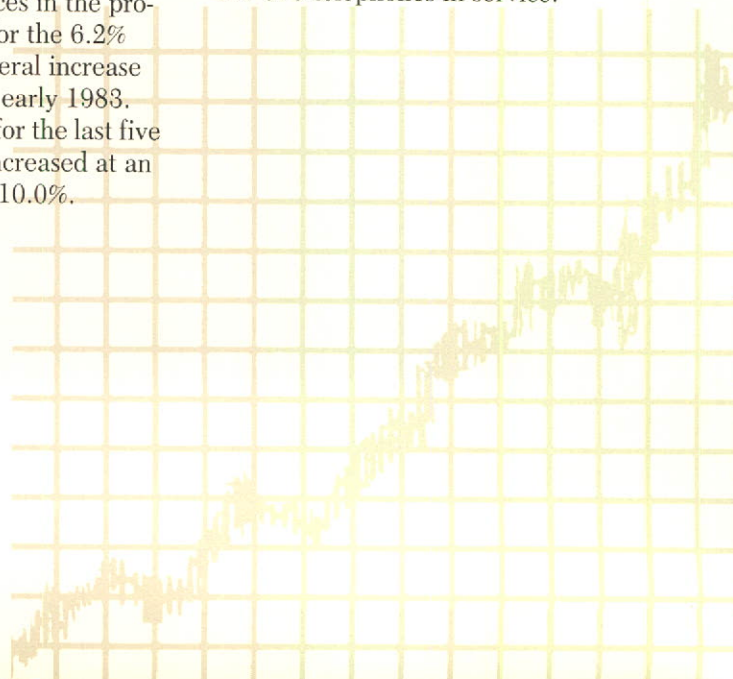
Revenues from local service amounted to \$88.0 million, up 5.4% from one year earlier. During the year, NBTEL had a net telephone gain of 19 630 (16 907 for 1984). At year-end, NBTEL had 459 076 telephones in service.



Total Operating Revenues (\$ in millions)



Net Internal Cash Flow as % of Gross Capital Expenditures





## OPERATING EXPENSES BY MAJOR CATEGORY

Millions of dollars	1985	1984	1983	1982	1981	1980
Depreciation .....	44.4	40.6	35.5	32.5	29.6	27.7
Maintenance .....	30.5	27.6	24.9	23.9	23.6	20.2
Other operating expenses .....	86.8	77.5	72.2	66.1	61.6	49.6
Pensions and other employee benefits .....	8.8	8.8	7.6	8.6	6.3	6.3

## ANALYSIS OF TAXES PAID BY MAJOR CATEGORY

Millions of dollars	1985	1984	1983	1982	1981	1980
Income taxes .....	29.6	30.5	27.5	24.0	19.7	17.9
Real property and business taxes .....	6.3	6.1	5.5	7.3	6.7	6.4
Federal employment taxes .....	1.5	1.4	1.3	1.0	0.9	0.5
Other .....	0.6	0.5	0.4	—	1.0	0.1
Total .....	38.0	38.5	34.7	32.3	28.3	24.9

The forms of taxation shown are only those which are readily identifiable. There are indirect taxes which are embedded in the cost of purchases. Consequently it is not possible to identify the nature or the amount of all taxes involved.

**“A highly successful NBTel promotion resulted in the conversion of 8 300 telephones to touch tone during a special one-month period”**

### EXPENSES

Brunco's total operating expenses for 1985 were \$170.5 million, compared with \$154.5 million one year earlier, an increase of 10.4%.

Depreciation expense, primarily for telecommunications associated equipment, accounted for \$44.4 million of the 1985 total operating expenses or 26.0%. As the above chart illustrates, depreciation has been growing over the last few years.

There are two main reasons for this growth. First, NBTel's asset base has been climbing as a result of the ongoing construction program to maintain and modernize New Brunswick's telecommunications network. The second cause is the recognition of the shorter life spans of telecommunications equipment due to obsolescence as technology evolves. This results in higher rates of depreciation to recover the equipment costs over the useful life of the asset.

Maintenance costs for servicing the provincial telephone network contributed \$30.5 million to 1985 expenses, an increase of 10.5% over 1984. One of the reasons for the increase was public interest in switching from rotary-dial telephones to more convenient touch-tone sets. Installation forces worked more than 5 700 extra hours to keep up with a highly successful promotion which resulted in the conversion of 8 300 telephones to touch tone during a special one-month period.

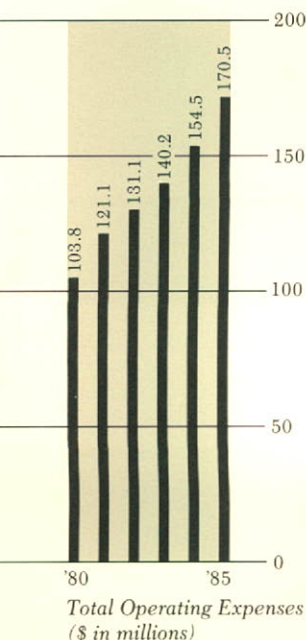
While immediate costs are incurred when customers upgrade their telephones, the company realizes more recurring revenues from the higher-priced services.

As well, the company spent in excess of \$2 million training employees in the latest telecommunications and business technologies and purchased major software packages such as the new shareholder relations system. These expenditures are a continuation of NBTel's ongoing productivity improvement program (see table page 10) and will represent an evergrowing impact on company expenses.

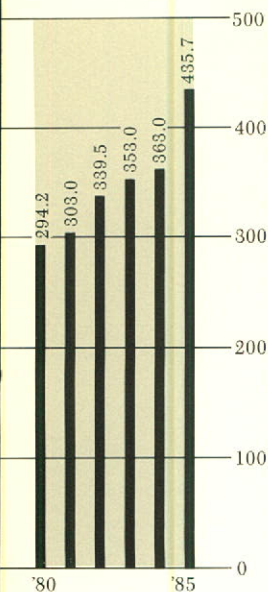
### INTEREST AND TAXES

Interest expense on long-term debt for 1985 totalled \$17.2 million, a slight decrease from interest of \$17.7 million in 1984 and \$17.8 million in 1983. At year-end 1985, the company had long-term obligations of \$184.1 million. Comparable 1984 and 1983 figures are \$162.1 million and \$163.0 million respectively.

The above table reveals the impact of taxation on the company's financial results.

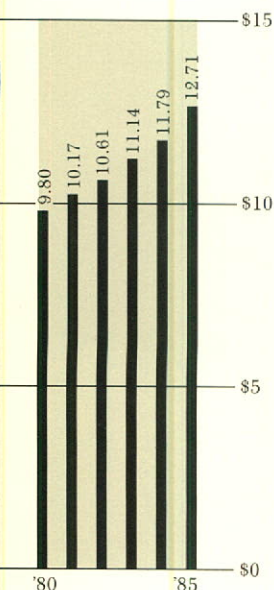






Total Invested Capital  
(\$ in millions)

**"The outlook for new construction is positive with an expected growth rate of 6.3%"**



Common Equity per  
Common Share

## THE NEW BRUNSWICK ECONOMY

The New Brunswick economy showed real growth of 3.1% (estimated) in 1985 compared with a national average of 3.7%. Household formations, an important indicator for the telecommunications industry, were 235 800 for 1985 (estimated), compared with 230 800 in 1984 and 226 400 in 1983. The New Brunswick population measured at mid-year was 719 400 for 1985, 714 700 for 1984 and 708 400 in 1983.

The company's 1986 outlook for New Brunswick calls for economic growth of 2.0%, while nationally this figure is expected to average 2.4%. The outlook for new construction is positive with an expected real growth rate of 6.3%.

## FINANCIAL ACTIVITIES

Proceeds from Bruncor's Dividend Reinvestment and Stock Purchase Plan reached \$5.5 million for the year. A significant contributor to the plan in 1985 was BCE which purchased shares under terms of the plan for the first time. As well, the company issued 560 158 new common shares for \$7.1 million to employees of NBTel under the terms of that company's employee stock plan.

As a result of the stock plans and the common share issue, Bruncor had 17 995 634 common shares outstanding on December 31 (15 671 982 for 1984). BCE, the company's single-largest shareholder, owned 30.7% of the outstanding shares at year end 1985 (31.3% in 1984).

During the year, NBTel redeemed U.S. \$0.9 million of its series Q debentures and \$1.0 million of series N. As well, that company redeemed \$0.3 million of its \$1.37 and \$1.85 preferred shares.

## TRADING INFORMATION

Bruncor common shares are traded on The Toronto Stock Exchange and The Montreal Exchange. Bruncor's ticker symbol is BRR.

## QUARTERLY PRICE RANGE

	1st Qtr		2nd Qtr		3rd Qtr		4th Qtr	
	1985	1984	1985	1984	1985	1984	1985	1984
High	\$18.50	\$15.81	\$20.25	\$15.00	\$20.50	\$15.00	\$19.00	\$16.63
Low	\$15.25	\$14.75	\$17.13	\$13.63	\$17.00	\$13.50	\$16.88	\$14.13
Close	\$18.00	\$15.00	\$19.63	\$14.00	\$17.13	\$14.25	\$18.38	\$16.25
Volume	455 359	293 460	415 331	122 645	665 135	261 526	674 428	449 341

Note: 1984 results, as well as those for the first two quarters of 1985, are NBTel's prior to the July 1 corporate restructuring.



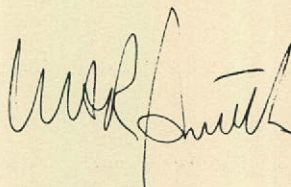
**BRUNCOR INC.****CONSOLIDATED INCOME STATEMENT** *(in thousands)*

<i>Year ended December 31</i>	1985	1984
<b>OPERATING REVENUES</b>		
Local service .....	\$ 88 028	\$ 83 488
Long distance service .....	136 844	129 336
Other operating revenues .....	20 015	17 442
Less: uncollectible operating revenues .....	956	675
	<u>243 931</u>	<u>229 591</u>
<b>OPERATING EXPENSES</b>		
Depreciation .....	44 426	40 626
Maintenance .....	30 468	27 584
Other operating expenses .....	86 841	77 452
Pensions and other employee benefits .....	8 810	8 815
	<u>170 545</u>	<u>154 477</u>
Operating income .....	<u>73 386</u>	<u>75 114</u>
<b>OTHER INCOME</b>		
Allowance for funds used during construction .....	1 198	1 430
Other .....	1 493	1 235
	<u>2 691</u>	<u>2 665</u>
Income before underlisted items .....	<u>76 077</u>	<u>77 779</u>
<b>OTHER CHARGES</b>		
Interest on long-term debt .....	17 194	17 672
Amortization of unrealized foreign exchange loss .....	450	392
Other .....	1 219	578
	<u>18 863</u>	<u>18 642</u>
Income before income taxes and minority interest .....	<u>57 214</u>	<u>59 137</u>
Income taxes .....	<u>29 614</u>	<u>30 491</u>
Income before minority interest .....	<u>27 600</u>	<u>28 646</u>
Minority interest <i>(note 8)</i> .....	<u>1 112</u>	<u>1 159</u>
Net income .....	<u>\$ 26 488</u>	<u>\$ 27 487</u>
Earnings per share <i>(note 3)</i> .....	<u>\$ 1.62</u>	<u>\$ 1.79</u>



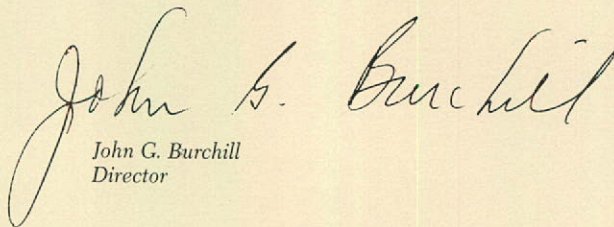
**BRUNCOR INC.****CONSOLIDATED BALANCE SHEET** *(in thousands)*

<i>December 31</i>	1985	1984
<b>ASSETS</b>		
<b>TELECOMMUNICATIONS PROPERTY</b> <i>(at cost)</i>		
Buildings, plant and equipment .....	\$669 440	\$627 889
Less: accumulated depreciation .....	<u>256 480</u>	<u>230 052</u>
	412 960	397 837
Land, and plant under construction .....	13 492	14 719
Construction materials .....	<u>8 115</u>	<u>6 983</u>
	434 567	419 539
<b>INVESTMENTS</b> <i>(note 4)</i> .....	<u>42 682</u>	<u>7 223</u>
<b>CURRENT</b>		
Cash and temporary cash investments .....	28 883	4 776
Accounts receivable .....	35 142	33 554
Prepayments .....	<u>2 609</u>	<u>1 488</u>
	66 634	39 818
<b>DEFERRED CHARGES</b>		
Long-term debt expense .....	1 103	1 303
Unrealized loss on foreign currency .....	4 249	3 659
Other .....	<u>821</u>	<u>928</u>
	6 173	5 890
<b>TOTAL ASSETS</b> .....	<u>\$550 056</u>	<u>\$472 470</u>

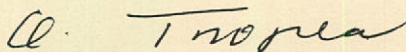


W. H. R. Smith  
Vice-President (finance)  
Bruncor Inc.

*Signed on behalf of the Board of Directors:*



John G. Burchill  
Director



O. Tropea  
Director



**LIABILITIES AND SHAREHOLDERS' EQUITY****SHAREHOLDERS' EQUITY**

Capital stock (note 3) .....	\$118 899	\$ 81 771
Contributed surplus .....	19 785	19 750
Retained earnings .....	90 014	83 311
	<u>228 698</u>	<u>184 832</u>

<b>MINORITY INTEREST</b> (note 8) .....	13 366	13 628
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<b>LONG-TERM DEBT</b> (note 5) .....	184 053	162 127
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**CURRENT LIABILITIES**

Bank indebtedness .....	1 466	1 466
Accounts payable and accrued charges .....	23 461	19 971
Income tax payable .....	2 602	125
Dividends payable .....	5 309	4 623
Interest accrued on long-term debt .....	4 207	4 235
Long-term debt due within one year (note 5) .....	9 609	2 418
	<u>46 654</u>	<u>32 838</u>

**DEFERRED CREDITS**

Deferred income tax .....	77 285	76 587
Employees' stock plan .....	—	2 458
	<u>77 285</u>	<u>79 045</u>

<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> .....	<u>\$550 056</u>	<u>\$472 470</u>
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**AUDITORS' REPORT**

To the Shareholders of Bruncor Inc.:

We have examined the consolidated balance sheet of Bruncor Inc. as at December 31, 1985 and the consolidated statements of income, retained earnings, contributed surplus and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Clarkson Gordon*

Chartered Accountants  
Saint John, Canada  
January 24, 1986.



**BRUNCOR INC.****CONSOLIDATED STATEMENT OF CASH FLOWS** (in thousands)

Year ended December 31	1985	1984
<b>INTERNAL CASH</b>		
From operations:		
Net income .....	\$26 488	\$27 487
Items not requiring cash:		
Depreciation .....	44 426	40 626
Deferred income tax .....	699	4 389
Miscellaneous .....	23	2 736
Less: allowance for funds used during construction .....	1 198	1 430
	70 438	73 808
Cash provided (used) by changes in working capital .....	3 914	(10 936)
Internal cash generated .....	74 352	62 872
Less dividends declared by:		
The company .....	19 402	17 476
Subsidiary to minority shareholders .....	1 112	1 159
	20 514	18 635
Net internal cash generated .....	53 838	44 237
<b>INVESTMENT OF CASH</b>		
Capital expenditures (net) .....	58 319	56 945
Investment in affiliated companies .....	35 967	794
Total investment .....	94 286	57 739
Excess of investment over net internal cash generated .....	(40 448)	(13 502)
<b>EXTERNAL FINANCING</b>		
Issue of common shares .....	36 745	6 586
Increase (decrease) in long-term debt .....	28 038	(6 981)
Reduction of minority interest (net of discount) .....	(228)	(746)
	64 555	(1 141)
Increase (decrease) in cash and temporary cash investments .....	24 107	(14 643)
Cash and temporary cash investments at beginning of year .....	4 776	19 419
Cash and temporary cash investments at end of year .....	\$28 883	\$ 4 776

**CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS** (in thousands)

Year ended December 31	1985	1984
Balance at beginning of year .....	\$19 750	\$19 411
Discount on reduction of minority interest .....	35	54
Premium on common shares issued .....	—	285
Balance at end of year .....	\$19 785	\$19 750

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS** (in thousands)

Year ended December 31	1985	1984
Balance at beginning of year .....	\$ 83 311	\$ 73 300
Add: Net income .....	26 488	27 487
	109 799	100 787
Less: Dividends .....	19 402	17 476
Expenses of issue of common shares .....	383	—
Balance at end of year .....	\$ 90 014	\$ 83 311



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED FINANCIAL STATEMENTS include the accounts of the wholly owned subsidiaries: The New Brunswick Telephone Company, Limited, Brungro Inc., and Bruntel Holdings Ltd. and their subsidiaries.

INVESTMENTS in corporate joint ventures are accounted for on the equity basis. The company's other investments are carried at cost.

DEPRECIATION is calculated on a straight-line basis over the estimated useful life of telecommunications property by applying rates to the company's investment by class of property. The composite rate for the year ended December 31, 1985, was 6.83 per cent (6.73 per cent for the year ended December 31, 1984).

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION is included in income and added to the cost of property to provide for a return on capital invested in new telecommunications property while under construction. The rate being applied for 1985 of 13.2 per cent reflects the company's rate of return on total invested capital for the previous year (13.1 per cent for 1984).

PENSION FUND OBLIGATIONS are computed by annual actuarial reviews and studies, using the aggregate funding method. Under this method, pension costs, including prior service costs, and all changes in cost due to experience or other factors are paid and accounted for over the estimated remaining working lifetime of employees. The provision for pension cost, for the year ended December 31, 1985, computed at 10.0 per cent of salaries and wages, was \$6 746 000 including the portion capitalized (11.0 per cent and \$7 355 000 for the year ended December 31, 1984).

LONG-TERM DEBT PAYABLE IN FOREIGN CURRENCY is stated in Canadian dollars at the exchange rate prevailing at the balance sheet date and the resulting unrealized loss is amortized over the remaining life of the debt.

LEASES are classified as capital and operating leases. Assets recorded under capital leases, which substantially transfer the benefits and risks of ownership to the lessee, are amortized on a straight-line basis over the term of the lease. Obligations recorded under capital leases are reduced by rental payments net of imputed interest.

### 2. RESTRUCTURING

On July 1, 1985 the company carried out its restructuring plan of the NBTel group. Bruncor Inc. was established as the parent corporation of The New Brunswick Telephone Company, Limited through an arrangement under the Business Corporations Act of New Brunswick. Under the restructuring, holders of NBTel common shares became holders of Bruncor Inc. common shares on a one-for-one basis.

For periods prior to the effective date of the restructuring, The New Brunswick Telephone Company, Limited consolidated financial statements constitute, for comparative financial reporting purposes, the consolidated financial statements of Bruncor Inc. The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 1985 financial statements.

### 3. CAPITAL STOCK

	Number of Shares		Stated Capital	
	Outstanding		December 31 1985	December 31 1984
	December 31 1985	December 31 1984		
Common shares .....	17 995 634	15 671 982	\$118 898 987	\$81 770 978

Authorized capital stock consists of an unlimited number of common shares and an unlimited number of serial preferred shares, both without nominal or par value.

During the year ended December 31, 1985, the company issued 2 323 652 common shares for cash. At December 31, 1985, 755 225 common shares were reserved for issuance under the Common Shareholders' Dividend Reinvestment Plan.

At December 31, 1985, 638 195 common shares were reserved for issuance under the Employees' Stock Plan for employees of

The New Brunswick Telephone Company, Limited (NBTel). This plan became effective July 1, 1985. Under its terms and conditions NBTel contributes one dollar for every four dollars contributed by the employees. Contributions made by the employees are for the purchase of Bruncor treasury shares at average market price. Contributions by NBTel are for the purchase of Bruncor common shares in the market on behalf of the participants. Common shares are issued quarterly to participating employees.



4. INVESTMENTS represent mainly the company's investment in Brunswick Square Ltd. through its wholly owned subsidiaries.

5. LONG-TERM DEBT (in thousands)

			December 31 1985	December 31 1984
Debtures				
<i>Series</i>	<i>Rate</i>	<i>Date Due</i>		
Q	9-3/8%	September 15, 1985-2001	\$ 19 006	\$ 19 094
		(1985 - \$13.60 million U.S. Funds)		
		(1984 - \$14.45 million U.S. Funds)		
N	8-3/20%	March 2, 1985-1997	12 000	13 000
J	6-1/2%	September 1, 1986	7 000	7 000
S	15-1/2%	June 15, 1987	30 000	30 000
		(extended maturity option) *		
K	7-1/4%	November 15, 1987	6 000	6 000
L	7-3/4%	December 1, 1988	5 000	5 000
M	9-1/4%	June 1, 1990	1 310	1 310
O	9-1/2%	April 15, 1996	20 000	20 000
P	10-7/8%	July 2, 1997	25 000	25 000
R	10%	July 15, 2003	25 000	25 000
			150 316	151 404
Promissory note †			30 000	—
Obligations under capital leases			12 846	13 141
Other			500	—
			<u>193 662</u>	<u>164 545</u>
Less: due within one year				
Debture Series J				
maturing September 1, 1986			7 000	—
Debture Series N				
maturing March 2, 1985-1986			1 000	1 000
Debture Series Q				
maturing September 15, 1985-1986				
(\$850 000 U.S. Funds)			1 188	1 123
Obligations under capital leases			421	295
			<u>9 609</u>	<u>2 418</u>
			<u>\$184 053</u>	<u>\$162 127</u>

\* The maturity date of the Series S Debtures may be extended to June 15, 1992, at the holders' option between September 15, 1986 and March 15, 1987. The company may increase the rate of interest payable on the Series S Debtures prior to February 15, 1987, effective June 15, 1987.

† The promissory note was issued at the Bank of Nova Scotia's prime interest rate, which averaged 10.0% for the period the note was outstanding. It is renegotiable November 19, 1991, and is due November 20, 1992.

Annual repayment of long-term debt for each of the next five years is as follows:

Twelve Months Ending December 31	Debtures	Capital Leases	Total
1986	\$ 9 188	\$ 421	\$ 9 609
1987	38 188	294	38 482
1988	7 188	168	7 356
1989	2 188	175	2 363
1990	3 498	199	3 697



**6. LEASES** (in thousands)

"Buildings, Plant and Equipment" includes office space and leasehold improvements

recorded under capital leases as follows:

	December 31 1985	December 31 1984
Cost .....	\$14 791	\$14 791
Less: accumulated depreciation .....	4 489	3 812
	<u>\$10 302</u>	<u>\$10 979</u>

The future minimum lease payments under capital leases and operating leases that have initial non-cancellable lease terms in excess

of one year as of December 31, 1985 are as follows:

Twelve Months Ending December 31	Capital Leases	Operating Leases
1986 .....	\$ 1 822	\$ 859
1987 .....	1 654	420
1988 .....	1 503	103
1989 .....	1 489	79
1990 .....	1 489	43
Thereafter, to year-end 2006 .....	23 816	37
Total future minimum lease payments .....	31 773	<u>\$1 541</u>
Less: imputed interest, at 9.0%-10.75% .....	18 927	
Present value of minimum lease payments .....	<u>\$12 846</u>	

**7. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 1985, the company's subsidiary, The New Brunswick Telephone Company, Limited, entered into transactions with both related and unrelated telecommunications companies. These transactions, which include circuit rentals, leasing of facilities, distribution of revenue, and exchanges of technical information, are common throughout the industry and are required to provide an efficient telecommunications network.

At December 31, 1985, Bell Canada Enterprises Inc. (BCE) owned 30.7 per cent of the company's common shares (31.3 per cent at December 31, 1984). Included in cash and temporary cash investments at December 31, 1985 is a \$4 787 400 promissory note due from BCE. The note matures March 31, 1986 and has an effective interest rate of 9.26 per cent. During the year ended December 31,

1985, The New Brunswick Telephone Company, Limited purchased from Northern Telecom Canada Limited, a subsidiary of BCE, equipment and related supplies in the amount of \$26 673 000 (\$28 134 000 for the year ended December 31, 1984). The amount due that company at December 31, 1985 was \$2 409 000 (\$1 501 000 at December 31, 1984).

The company's subsidiary, Bruntel Holdings Ltd., has a 50.0 per cent interest in Brunswick Square Ltd. which, under a long-term lease arrangement, provides office accommodations for The New Brunswick Telephone Company, Limited in Saint John, New Brunswick. During the year ended December 31, 1985 payments totalling \$3 081 000 were made to Brunswick Square Ltd. for those accommodations (\$2 794 000 for the year ended December 31, 1984).

**8. MINORITY INTEREST** represents cumulative, redeemable, preferred shares of a subsidiary. These shares have an annual re-

demption requirement which will not exceed \$636 000.



**STATISTICAL SUMMARY<sup>1</sup>**

	1985	1984
<b>FINANCIAL STATISTICS</b>		
Earnings per common share <sup>2</sup> .....	\$ 1.62	\$ 1.79
Dividends declared per common share <sup>2</sup> .....	\$1.180	\$1.135
Common equity per common share, December 31 <sup>2</sup> .....	\$12.71	\$11.79
Payout ratio .....	73.2%	63.6%
Embedded cost of debt .....	11.2%	11.0%
Debt ratio, December 31 .....	44.4%	45.3%
Return on common shareholders' equity .....	13.3%	15.6%
Return on total invested capital .....	12.2%	13.2%
Times interest earned before tax .....	4.0	4.2
Average common shares outstanding (in thousands) <sup>2</sup> .....	16 364	15 386

**INCOME STATEMENT SUMMARY (\$ in thousands)**

Operating revenues .....	243 931	229 591
Operating expenses .....	170 545	154 477
Interest on long-term debt .....	17 194	17 672
Other income net of other charges .....	1 022	1 695
Income taxes .....	29 614	30 491
Minority interest .....	1 112	1 159
Net income .....	26 488	27 487

**FINANCIAL POSITION ITEMS, December 31 (\$ in thousands)**

Total assets .....	550 056	472 470
Shareholders' equity .....	228 698	184 832
Minority interest .....	13 366	13 628
Long-term debt (including current portion) .....	193 662	164 545

**NBTel OPERATING STATISTICS**

Telephones in service, December 31 .....	459 076	439 446
Long-distance messages (in thousands) .....	60 396	54 000
Gross capital expenditures (in thousands) .....	\$60 507	\$60 363
Employees, December 31 .....	2 474	2 411
Salaries and wages (in thousands) .....	\$72 968	\$67 222

**MISCELLANEOUS STATISTICS**

Common shareholders, December 31 .....	13 553	12 531
Price earnings multiple:		
Based on highest price for year <sup>2</sup> .....	12.7	9.3
Based on lowest price for year <sup>2</sup> .....	9.4	7.5

<sup>1</sup>Information for years prior to 1985 has been reclassified to reflect the effect of the July 1, 1985 corporate restructuring.

<sup>2</sup>All common share data has been restated to reflect the two-for-one stock split approved by the company's common shareholders, effective March 15, 1984.

<sup>3</sup>Before extraordinary income.

<sup>4</sup>Includes extraordinary income of \$790 000.

**QUARTERLY FINANCIAL DATA**

	1985	1st Quarter 1984
Operating revenues (in thousands) .....	\$58 256	\$55 334
Net income (in thousands) .....	\$ 5 605	\$ 7 014
Earnings per common share .....	\$ 0.36	\$ 0.44
Dividends declared per common share .....	\$ 0.295	\$ 0.280



1983	1982	1981	1980	1979	1978	1977	1976	1975
\$ 1.74	\$ 1.58	\$ 1.36	\$ 1.31	\$ 1.28	\$ 1.15	\$ 1.09	\$ 1.10 <sup>3</sup>	\$ 0.84
\$1.075	\$1.015	\$0.910	\$0.850	\$0.810	\$0.770	\$0.760	\$0.680	\$0.560
\$11.14	\$10.61	\$10.17	\$ 9.80	\$ 9.37	\$ 8.92	\$ 8.56	\$ 8.29	\$ 7.88
61.8%	64.3%	66.9%	64.7%	63.4%	67.1%	69.7%	63.4% <sup>3</sup>	66.4%
10.7%	10.2%	9.4%	9.3%	9.3%	9.2%	8.8%	8.6%	8.1%
48.3%	50.7%	48.8%	50.4%	51.8%	53.7%	46.9%	48.0%	50.2%
16.0%	15.2%	13.7%	13.8%	14.1%	13.2%	13.1%	13.5% <sup>3</sup>	10.9%
13.1%	12.4%	11.3%	11.2%	11.2%	10.8%	10.7%	10.6% <sup>3</sup>	9.2%
4.0	3.9	3.8	3.6	3.4	3.7	3.8	3.7	3.5
14 729	14 018	13 432	12 970	12 602	12 333	12 087	10 180	9 641

209 851	191 468	169 809	151 185	139 299	123 217	110 178	92 648	76 451
140 244	131 147	121 125	103 847	95 006	83 668	75 052	63 637	52 754
17 779	15 851	13 552	13 498	13 598	10 986	9 715	8 474	7 212
2 582	2 933	4 245	2 510	3 206	1 634	2 314	3 328 <sup>4</sup>	1 676
27 517	23 975	19 717	17 850	16 217	14 348	12 780	10 097	8 469
1 229	1 295	1 356	1 445	1 572	1 681	1 764	1 807	1 556
25 664	22 133	18 304	17 055	16 112	14 168	13 181	11 961	8 136

464 288	441 815	422 226	398 952	376 900	361 844	305 142	292 040	251 468
168 181	152 057	139 170	128 996	119 563	110 996	104 576	99 047	76 715
14 428	15 228	16 028	16 828	18 405	19 647	20 832	21 053	21 853
170 341	172 175	147 848	148 331	148 158	151 765	110 908	110 982	99 310

422 530	411 193	402 082	389 466	376 514	358 842	342 920	331 838	320 711
49 273	45 030	41 671	37 946	34 881	30 976	27 592	26 181	24 495
\$53 630	\$56 308	\$54 709	\$41 218	\$55 882	\$40 925	\$49 073	\$56 794	\$42 716
2 477	2 595	2 881	2 776	2 752	2 708	2 671	2 711	2 725
\$63 372	\$63 356	\$59 378	\$45 108	\$45 608	\$41 536	\$38 470	\$35 560	\$30 728

12 113	11 709	11 857	11 917	11 643	11 685	11 702	11 765	10 806
9.1	7.3	7.4	8.2	9.5	9.8	9.5	8.3 <sup>3</sup>	8.3
6.5	5.0	5.7	6.6	7.4	8.4	7.8	6.0 <sup>3</sup>	7.1

2nd Quarter		3rd Quarter		4th Quarter	
1985	1984	1985	1984	1985	1984
\$60 319	\$56 803	\$61 781	\$57 282	\$63 575	\$60 172
\$ 6 885	\$ 7 142	\$ 6 783	\$ 7 095	\$ 7 215	\$ 7 395
\$ 0.43	\$ 0.46	\$ 0.42	\$ 0.43	\$ 0.41	\$ 0.46
\$ 0.295	\$ 0.280	\$ 0.295	\$ 0.280	\$ 0.295	\$ 0.295



## REPORTING THE EFFECTS OF CHANGING PRICES

In 1983, in response to the recommendations of the Canadian Institute of Chartered Accountants (C.I.C.A.), the company provided supplementary information which measured the effects of changing prices on certain financial statement items. Tables 1 and 2 provide the reader with the required supplementary data for 1985 and 1984.

An estimate of the current cost of property plant and equipment has been determined by the application of a number of measurement techniques. These techniques include the application of certain indices to the historic cost of telecommunications plant as well as engineering estimates of the impact of significant technological advances which have been made in the development of telephone switching and transmission equipment.

While the company has followed the C.I.C.A. guidelines in developing and reporting the supplementary data, caution must be exercised in using this information because it is based on estimates and is experimental in nature. There has been no general consensus on the concepts to be used or the usefulness of the resulting data. There is a variety of methods that may be used in order to arrive at the current costs of assets and until some standardization takes place, various companies are likely to use different approaches. As a result, inter-company comparisons may not be meaningful for some time.

A complete restatement of the financial statements is not required by the C.I.C.A. recommendations. The only items which are required to be restated are those which are assumed to be the most significantly affected by inflation. The guidelines do not require the adjustment of income taxes and interest expense even though these items would be substantially different under a complete current cost model. The C.I.C.A., while recognizing the need to deal with both these items, concluded that restatement at this time would introduce undue complexity.

## BRUNCOR INC.

**TABLE 1: CONSOLIDATED CURRENT COST NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS UNDER AN OPERATING CAPABILITY CONCEPT OF CAPITAL (in thousands)**

<i>For the Year ended December 31</i>	1985	1984
Historical cost net income .....	\$ 26 488	\$ 28 565
Less: current cost adjustment for depreciation .....	<u>14 464</u>	<u>12 930</u>
Current cost net income .....	12 024	15 635
Financing adjustment .....	<u>4 403</u>	<u>4 082</u>
Current cost net income attributable to common shareholders under an operating capability concept of capital .....	<u>\$ 16 427</u>	<u>\$ 19 717</u>

**TABLE 2: ADDITIONAL SUPPLEMENTARY INFORMATION (in thousands)**

	1985	1984
Increase in nominal dollars in the current cost amounts of property, plant and equipment held during the year .....	\$ 29 640	\$ 26 126
Less: general inflation component .....	<u>22 360</u>	<u>29 943</u>
Change in constant dollars in the current cost amounts of property, plant and equipment held during the year .....	<u>\$ 7 280</u>	<u>\$ (3 817)</u>
Gain in general purchasing power from holding net monetary liabilities .....	\$ 6 366	\$ 8 794
Current cost amounts of property, plant and equipment net of accumulated depreciation .....	\$606 811	\$599 374
Current cost net assets (common shareholders' equity) .....	\$400 942	\$357 142

*As suggested by the Canadian Institute of Chartered Accountants, the calculation of the financing adjustment can also be based on the increase (in nominal dollars) in the current cost amounts of property, plant and equipment held during the year. Using this method, the financing adjustment amounts to \$9,023,000. For 1984, the comparative amount was \$8,248,000.*



**OFFICERS OF BRUNCOR INC.**  
(as of December 31, 1985)

**Kenneth V. Cox**  
Chairman of the Board,  
Chief Executive Officer  
and President

**Berton W. Cosman**  
Secretary-Treasurer

**G. Edwin Graham**  
Vice-President (corporate  
development)

**William H. R. Smith**  
Vice-President (finance)

**OFFICERS OF NBTel**  
(as of December 31, 1985)

**Kenneth V. Cox**  
Chairman of the Board,  
Chief Executive Officer  
and President

**Lino J. Celeste**  
Vice-President (planning)

**James A. Coombs\***  
Vice-President (operations)

**Berton W. Cosman**  
Secretary-Treasurer

**G. Edwin Graham**  
Vice-President

**William H. R. Smith**  
Vice-President (finance)

\*Mr. Coombs retired from NBTel  
effective February 14, 1986.

**OFFICERS**

**LINO J. CELESTE**, *Vice-President (planning)*  
22 Years service

Mr. Celeste, 48, holds a Bachelor of Science degree in electrical engineering from the University of New Brunswick. He has held a variety of positions in the company's engineering, traffic and personnel departments. He was appointed vice-president (corporate services) in 1982 and assumed his current position one year later. Mr. Celeste is a director of Atomic Energy of Canada Limited (AECL) and also serves on AECL's audit and executive committees.

**JAMES A. COOMBS**, *Vice-President (operations)*  
Nine years service

Mr. Coombs, 55, joined NBTel in 1976 as vice-president (finance) after spending 24 years with Bell Canada where he was assistant vice-president, regulatory matters. He was appointed to his present position in 1982. Mr. Coombs graduated from the University of Western Ontario in 1952 with honors in economic and political science. Active in business affairs, he is a member of the New Brunswick Industrial Development Board, the Board of Governors of the University of New Brunswick and the Economic Council of Canada. Mr. Coombs also serves as vice-chairman of the Board of Directors of St. Joseph's Hospital in Saint John and as chairman of the New Brunswick Regional Committee for Expo 86.

**BERTON W. COSMAN**, *Secretary-Treasurer*  
31 Years service

Mr. Cosman, 58, holds a B.Sc. degree in electrical engineering from the University of New Brunswick. After graduation he joined Bell Canada and worked on the DEW Line project in Alaska. He joined NBTel in 1954 and has held a number of senior positions including chief engineer, general planning manager, general market planning manager and general manager — intercorporate affairs. He was appointed to his current position in 1985. Mr. Cosman is a member of the Association of Professional Engineers of New Brunswick and a senior member of the Institute of Electrical and Electronics Engineers. He is also a member of the executive committee of the Standards Policy Board of the Canadian Standards Association.

**KENNETH V. COX**, *Chairman of the Board,  
Chief Executive Officer and President*  
43 Years service

Mr. Cox, 63, was elected president of NBTel in 1965. In 1977 he became chairman and chief executive officer. Late in 1979 he was re-elected president in addition to his other responsibilities. He assumed the additional responsibilities of chairman and president of Bruncor Inc. upon its formation in July 1985.

Mr. Cox received his B.Sc. degree in electrical engineering from U.N.B. in 1942, the year he joined NBTel. In 1958 he was appointed general manager. One year later, in addition to his duties as general manager,

he was named executive vice-president and appointed to NBTel's board of directors and executive committee. He is a director of the Bank of Nova Scotia, Maritime Electric Company, Fraser Inc., North American Life Assurance Company, Datacrown Inc., SDL/Datacrown Inc., Crowntek Inc., Potash Company of America, Inc., and National Sea Products Limited.

Mr. Cox is also chairman of the New Brunswick Research and Productivity Council, a senior member of the Conference Board Inc., and a fellow of the Engineering Institute of Canada.

**G. EDWIN GRAHAM**, *Vice-President,  
(corporate development)*  
38 years service

Mr. Graham, 61, began his career with NBTel in 1946 following his graduation from the University of New Brunswick in Electrical Engineering. He has been NBTel's vice-president of planning or operations since 1965. He assumed his current position upon the formation of Bruncor Inc.

Mr. Graham is a member and a past president of the Board of Commissioners, Saint John Regional Hospital, a director of the New Brunswick Extra-Mural Hospital, a member of the Medical Research Council of Canada and past president of the Canadian Standards Association. He is also president of Brunswick Square Ltd., a director of Ganong Bros. Ltd., N.B. Coal Limited, Major Foods Limited and Process Technology Limited.

**WILLIAM H. R. SMITH**, *Vice-President (finance)*  
24 Years service

Mr. Smith, 47, is a 1961 graduate of U.N.B.'s electrical engineering program. He was appointed NBTel's vice-president (operations) in 1974 and vice-president (finance) in 1982. He assumed the same role with Bruncor Inc. upon its formation last year.

Mr. Smith is a member of the Association of Professional Engineers, past chairman of the Institute of Electrical and Electronic Engineers, a director of the New Brunswick Museum, and a member of the board of governors of the Atlantic Provinces Economic Council.

**DIRECTORS**

**SIMON L. BUJOLD**, 60, recently retired as president and chief executive officer of Assumption Mutual Life Insurance Company after a 39-year career with the Moncton, N.B. firm. He is a director of Atlantic Canada Plus and the Greater Moncton Foundation. He has been an NBTel director since 1979.

**JOHN G. BURCHILL**, 67, an NBTel director since 1965, is the retired president of Geo. Burchill & Sons (Plywood) Ltd., Nelson Miramichi, N.B. He is past president of the Maritime Lumber Bureau and of the Canadian Wood Council. He became a director of Bruncor in 1985.



**DIRECTORS OF BRUNCOR INC.**  
(as of December 31, 1985)

**John G. Burchill†**  
Nelson-Miramichi, N.B.

**Kenneth V. Cox**  
Saint John, N.B.

**Daniel O. Jarvis**  
Montreal

**Gerald B. Lawson**  
Saint John, N.B.

**James A. MacMurray†**  
Saint John, N.B.

**Edward Reevey†**  
Saint John, N.B.

**Orland Tropea†**  
Oakville, Ontario

**DIRECTORS OF NBTEL**  
(as of January 27, 1986)

**Simon L. Bujold‡**  
Moncton, N.B.

**John G. Burchill\***  
Nelson-Miramichi, N.B.

**Alfons Buzas‡**  
Bathurst, N.B.

**George L. Colter**  
Fredericton, N.B.

**Kenneth V. Cox\***  
Saint John, N.B.

**Dr. Ginette Gagné-Koch**  
Moncton, N.B.

**W. Brian Hewat**  
Ottawa

**Gerald B. Lawson\***  
Saint John, N.B.

**Marks H. Lockhart‡**  
Moncton, N.B.

**James A. MacMurray\*‡**  
Saint John, N.B.

**Raymond Michaud**  
Edmundston, N.B.

**Edward Reevey\***  
Saint John, N.B.

**J. T. Richard Savoie**  
Caraquet, N.B.

**John E. Sinclair**  
Toronto

**Orland Tropea\*‡**  
Oakville, Ontario

† Member of Bruncor audit committee

\* Member of NBTEL executive committee

‡ Member of NBTEL audit committee

**ALFONS BUZAS**, 53, is manager of business and development for Elmtree Resources Ltd., a mining company located in Bathurst, N.B. He is national vice-president and regional chairman of the Canadian Institute of Mining and Metallurgy. He became an NBTEL director in 1984.

**GEORGE L. COLTER**, 39, is president of the Diamond Group of companies which includes construction and sawmill operations in New Brunswick, Nova Scotia and Newfoundland. He is a member of the Association of Professional Engineers of both New Brunswick and Nova Scotia as well as a member of the Engineering Institute of Canada. He became an NBTEL director in January 1986.

**KENNETH V. COX** (see previous page)

**DR. GINETTE GAGNÉ-KOCH**, 42, is the medical director of The Moncton Hospital. She is a member of the College of Physicians and Surgeons of both New Brunswick and Quebec, the New Brunswick Medical Society, the Canadian College of Health Service Executives and the Canadian Medical Association. She joined NBTEL's board in January 1986.

**W. BRIAN HEWAT**, 49, is executive vice-president — marketing for Bell Canada. He is a member of the Conference Board of Canada — Council of Marketing Executives, the Association of Professional Engineers of Ontario and the Chamber of Commerce — Ottawa Liaison Committee. He joined NBTEL's board in 1979.

**DANIEL O. JARVIS**, 35, is vice-president and treasurer of Bell Canada Enterprises Inc. (BCE) in Montreal. He received his Masters degree in business administration from Harvard in 1975. Mr. Jarvis is a director of Daon Development Corporation, Bell Communications Systems Inc. and Northern Telephone Ltd. He was appointed a director of Bruncor in December 1985.

**GERALD B. LAWSON**, 58, is a senior partner in the law firm Lawson and Lawson in Saint John. He is a director of Kent Homes Ltd., New System Laundry Ltd. and St. Joseph's Hospital Foundation of Saint John Inc. He is also a member of the executive of the Atlantic Provinces Economic Council. He joined NBTEL's board in 1980 and became a Bruncor director in 1985.

**MARKS H. LOCKHART**, 48, is president of Lockharts Limited, a building-supplies retailer with headquarters in Moncton, N.B. He was appointed to NBTEL's board in 1979. He is also president of Lockhart Woodworkers Ltd. and vice-president of Lock-Wood Ltd. He is a director of Hollingum Agencies Ltd. and a member of the advisory board of the Montreal Trust Company in Saint John.

**JAMES A. MacMURRAY**, 60, is chairman of Maritime Beverages Ltd., a soft-drink bottling firm headquartered in Saint John. He is chairman and a director of Fundy Cablevision Ltd., president and a director of M.R.A. Holdings Ltd., vice-president and a director of Brunswick Square Ltd., and vice-president and a director of Fredericton Cablevision Ltd. He has been an NBTEL director since 1978 and a Bruncor director since 1985.

**RAYMOND MICHAUD**, 54, is president and general manager of Kasner's Ltd., clothing retailers based in Edmundston, N.B. He joined NBTEL's board in 1982. He is a director of Blue Cross of Atlantic Canada, a past president and trustee of the Edmundston Regional Hospital, a director of the Corporation of Chartered Administrators of Quebec, the New Brunswick Economic Council, vice-president of finance of Promodor Inc. and president of the Edmundston General Business Development Corporation.

**EDWARD REEVEY**, 42, is president of Battery and Electric Service Limited, a wholesale automotive supplier in Saint John, N.B. He is a member of the New Brunswick Institute of Chartered Accountants, the Saint John Board of Trade and the Automotive Industries Association of Canada. He is a director of Fernhill Cemetery Company and the Board of Governors of Rothesay Collegiate School and the RCS-Netherwood Foundation Inc. He was named an NBTEL director in 1982 and a Bruncor director in 1985.

**J. T. RICHARD SAVOIE**, 63, is general manager of La Fédération des Caisses Populaires Acadiennes Ltée, a financial institution located in Caraquet, N.B. Mr. Savoie is a member of the New Brunswick Research and Productivity Council, a member of the board of governors of the Memramcook Institute, president of the board of l'Hôpital l'Enfant Jésus of Caraquet, a member of the regency council of Université de Moncton, a director of Interprovincial Cooperative Ltd. of Saskatoon and chairman of Atlantic Holdings Ltd. as well as a member of numerous other organizations. He was appointed to NBTEL's board in 1978.

**JOHN E. SINCLAIR**, 49, is executive vice-president, corporate, for Bell Canada Enterprises Inc. He held numerous positions with Bell Canada before assuming his current duties in 1985. Mr. Sinclair is a director of a number of companies and chairman of the executive committee of The Canadian Chamber of Commerce. He joined NBTEL's board in January 1986.

**ORLAND TROPEA**, 66, is the recently retired deputy chairman of Bell Canada Enterprises Inc. (BCE). He has been an NBTEL director since 1976 and a Bruncor director since April 1985. He is the former chairman of Tele-Direct Inc. and Ronalds Federated Ltd., past director and vice-president Lakeshore General Hospital, and a director of Union Bank of Switzerland.



## OF INTEREST TO SHAREHOLDERS

### PRINCIPAL OFFICE

One Brunswick Square  
P.O. Box 5030  
Saint John, N.B.  
E2L 4L4

### STOCK TRANSFER OFFICES

Bruncor Inc.  
One Brunswick Square  
Saint John, New Brunswick

Montreal Trust Company  
Halifax, Montreal, Toronto, Winnipeg,  
Regina, Calgary and Vancouver

### REGISTRAR FOR STOCK

Montreal Trust Company  
Saint John, Halifax, Montreal, Toronto,  
Winnipeg, Regina, Calgary and Vancouver

### TRUSTEE FOR DEBENTURES

Montreal Trust Company

### ANNUAL MEETING

Friday, February 28, 1986  
2:30 p.m. (local time)  
At the principal office of the company  
One Brunswick Square,  
Saint John, New Brunswick

For further information about the meeting  
contact the Assistant Secretary-Treasurer  
at the company's principal office.

Highlights of the meeting will be reported  
in the company's first quarterly report.

### PUBLICATIONS AVAILABLE TO SHAREHOLDERS

**Quarterly Report** — A review of new developments and a recap of the quarterly financial and operating results. Published and mailed to registered shareholders in May, August and November.

**Annual Report** — A summary of the year's financial and operating highlights including comment on significant issues facing the company. The report is published and mailed to registered shareholders in February and is available without charge to interested parties from the Shareholder Relations Section.

### COMMON SHAREHOLDERS' DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

Eligible common shareholders of record may elect to reinvest their dividends automatically in the company's Dividend Reinvestment Plan. Under terms of this plan, dividends are used to purchase common stock at a discount of five per cent from the prevailing average market price.

Participants may also elect to make voluntary cash payments of up to \$3 000 per quarter to purchase common shares. All service and administration fees are borne by Bruncor. A brochure explaining details of the plan may be obtained from Robert W. Capson, Assistant Secretary-Treasurer, at the company's principal office.

### DUPLICATE SHAREHOLDER INFORMATION

While every effort is made to avoid mailing duplicate shareholder material, some registered shareholders may receive extra mailings as the result of multiple share registrations. Those who receive duplicate mailings, or who wish to consolidate their accounts, may contact the company's Shareholder Relations Section.

### DIVIDEND POLICY

The company's Board of Directors has maintained a long-standing policy of declaring quarterly dividends on its common stock. It is Bruncor's objective to continue paying dividends, which historically have been paid in January, April, July and October.

### STOCK LISTED

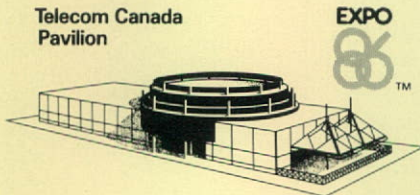
The company's common stock is listed on The Toronto Stock Exchange and The Montreal Exchange and appears in stock market listings under the symbol BRR.

### VALUATION DAY

The value of a common share of the company on valuation day, December 22, 1971, recognized by the Department of National Revenue for capital gains tax purposes, was \$7.315 after adjustment for the March 1984 two-for-one common share subdivision.

### SHAREHOLDER RELATIONS

Shareholders and other interested parties who wish more information about company activities may contact Robert W. Capson, Assistant Secretary-Treasurer at the company's principal office in Saint John. Call (506) 694-6837 or 694-6838. Out-of-town shareholders may use the toll-free Shareholder Information Line 1-800-561-9030.







One Brunswick Square  
P.O. Box 5030  
Saint John, N.B.  
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(506) 694-6330

Ce rapport est également  
publié en français.