



**NOTICE AND MANAGEMENT PROXY CIRCULAR
FOR THE SPECIAL GENERAL MEETING
OF SHAREHOLDERS**

**to be held at
the Hôtel Rimouski, Centre des Congrès,
225 René-Lepage Boulevard East,
Rimouski, Quebec
on
May 31, 2000 at 11:00 a.m.
(local time)**

This Management Proxy Circular contains information relating to the proposed amalgamation of The QuébecTel Group Inc. ("QuébecTel" or "Company") and 9090-4202 Québec Inc. ("MergerSub"), a company incorporated solely for the purpose of effecting the amalgamation. Such amalgamation will be carried out pursuant to the *Companies Act* (Quebec) and the resulting company will be named The QuébecTel Group Inc. ("Amalco") and its head office will be located in Rimouski, Quebec. Prior to the amalgamation, Anglo-Canadian Telephone Company ("Anglo-Canadian"), an indirectly owned and controlled subsidiary of GTE Corporation ("GTE") and the majority shareholder of the Company, will transfer all of its Common Shares in the Company to MergerSub in exchange for common shares of MergerSub and engage in certain internal restructuring transactions involving MergerSub, and BCT.TELUS Communications Inc. ("TELUS") will subscribe for approximately 17,874,925 common shares of MergerSub for an aggregate cash consideration of approximately \$411,123,275 (or \$23.00 per share). Upon the amalgamation, each common share in the capital of MergerSub held by Anglo-Canadian and TELUS will be converted into one common share in the capital of Amalco and all the Common Shares in the capital of the Company held by MergerSub will be cancelled. Each Common Share in the capital of the Company held by a Shareholder, other than MergerSub, will be converted into one Amalco Redeemable Preferred Share. Amalco will redeem for cancellation all of its issued and outstanding Amalco Redeemable Preferred Shares at a cash Redemption Amount of \$23.00 per share within three (3) Business Days following the Effective Date. Concurrently with the amalgamation or shortly thereafter, TELUS will purchase from Anglo-Canadian 20% of the issued and outstanding Amalco Common Shares (approximately 7,198,947) for an aggregate cash consideration of approximately \$165,575,781 (or \$23.00 per share). Following the Amalgamation and the purchase, by TELUS, of Amalco Common Shares from Anglo-Canadian, TELUS and Anglo-Canadian will hold respectively approximately 70% and 30% of the outstanding common shares of Amalco.

The Board of Directors of the Company, after due consideration of the unanimous recommendation of a special committee of independent directors of the Board of Directors of the Company, as well as the factors considered by that committee (including a valuation prepared by Scotia Capital Inc. and a fairness opinion prepared by CIBC World Markets Inc.), has determined to support the proposed Amalgamation. Subject to the abstentions from voting of Messrs. Alfred C. Giammarino and Larry J. Sparrow due to their respective relationships with Anglo-Canadian and GTE, the Board of Directors of the Company unanimously recommends that shareholders vote FOR the Amalgamation.

These documents require Shareholders to make important decisions and require immediate attention. If you are in doubt as to how to deal with them, you should contact your investment dealer, stock broker, accountant, lawyer or other professional advisor without delay.

Si vous désirez recevoir un exemplaire en français de la présente circulaire, veuillez vous adresser au Secrétaire de QuébecTel au 1-800-463-0826 ou à Trust Général du Canada, Service des transferts de valeurs mobilières, 1100, rue University, 9^{ème} étage, Montréal (Québec) H3B 2G7 (Tél.: 1-800-341-1419 ou (514) 871-7171).

May 2, 2000

NOTICE TO SHAREHOLDERS RESIDING IN THE UNITED STATES

This exchange offer or business combination is made for the securities of a foreign company. The offer is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.

You should be aware that the issuer may purchase securities otherwise than under the exchange offer, such as in open market or privately negotiated purchases.

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THE QUÉBECTEL GROUP INC.

NOTICE OF SPECIAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a special general meeting (“Meeting”) of the Shareholders of The QuébecTel Group Inc. (“QuébecTel” or the “Company”) will be held at the Hôtel Rimouski Centre des Congrès, 225 René-Lepage Boulevard East, Rimouski, Quebec, on Wednesday May 31, 2000 at 11:00 a.m. (local time) for the following purposes:

1. To consider and, if thought advisable, to confirm By-law 2000-1 of the Company approving the amalgamation agreement dated as of May 2, 2000 (“Amalgamation Agreement”) between the Company and 9090-4202 Québec Inc. (“MergerSub”) providing for the amalgamation of the Company with MergerSub under the *Companies Act* (Quebec), setting forth the terms and conditions of the amalgamation and providing for the organization and management of the company resulting from the amalgamation (“Amalco”) and pursuant to which, among other things:
 - (a) the name of the Company resulting from the amalgamation will be “The QuébecTel Group Inc.” and its head office will be located in Rimouski, Quebec;
 - (b) each Common Share in the capital of QuébecTel held by a Shareholder (other than MergerSub) will be converted into one fully paid and non-assessable Amalco Redeemable Preferred Share;
 - (c) all of the Common Shares in the capital of QuébecTel held by MergerSub will be cancelled, without any repayment of capital in respect thereof;
 - (d) each common share in the capital of MergerSub held by Anglo-Canadian and TELUS will be converted into one fully paid and non-assessable Amalco Common Share; and
 - (e) all of the Amalco Redeemable Preferred Shares will be redeemed within three (3) Business Days following the Effective Date at a Redemption Amount of \$23.00 per share payable in cash such that, after the amalgamation and completion of the transactions set forth in the Amalco Transaction Agreements, TELUS and Anglo-Canadian will beneficially own approximately 70% and 30% of the issued and outstanding Amalco Common Shares, respectively.
2. To transact such further business as may properly come before the Meeting or any adjournment or adjournments thereof.

Copies of By-law 2000-1 and the Amalgamation Agreement are attached as Schedule A to the Management Proxy Circular which accompanies this notice. In addition, the Management Proxy Circular contains important information regarding the forwarding of share certificates and certain other matters.

Shareholders are entitled to vote at the Meeting either in person or by proxy. If it is not your intention to be present at the Meeting, please exercise your right to vote by promptly completing, signing, dating and returning the enclosed form of proxy (green form) in the envelope provided for that purpose. To be effective, proxies must be received on or before 4:45 p.m. on May 29, 2000 by the Company’s transfer agent, General Trust of Canada, at its office at 1100 University Street, Montreal, Quebec H3B 2G7 or deposited with the chairman of the Meeting prior to the commencement thereof on May 31, 2000 or any adjournment thereof. Shareholders of record at the close of business on April 26, 2000 are entitled to notice of the Meeting. A person who has acquired Common Shares of QuébecTel after April 26, 2000 will be entitled to vote such shares upon making a written request to that effect at any time before the Meeting and upon establishing ownership of such shares.

In order to receive the Redemption Amount for their Amalco Redeemable Preferred Shares, Shareholders must complete and forward the enclosed Letter of Transmittal (blue form) together with the share certificate(s) representing their Common Shares of QuébecTel in accordance with the instructions on the Letter of Transmittal. If Articles of Amalgamation are not filed by the Termination Date, the Letter of Transmittal will have no effect and the share certificate(s) will be returned.

DATED at Rimouski, Quebec, this 2nd day of May, 2000.

BY ORDER OF THE BOARD OF DIRECTORS



Dorothee Biron
Chief Officer — Corporate Affairs and Secretary

Si vous désirez recevoir un exemplaire en français de la présente circulaire, veuillez vous adresser au Secrétaire de QuébecTel au 1-800-463-0826 ou à Trust Général du Canada, Service des transferts de valeurs mobilières, 1100, rue University, 9^{ième} étage, Montréal (Québec) H3B 2G7 (Tél.: 1-800-341-1419 ou (514) 871-7171).

THE QUÉBECTEL GROUP INC.
MANAGEMENT PROXY CIRCULAR

DATED MAY 2, 2000

GLOSSARY OF TERMS

The following is a glossary of terms used frequently throughout this Management Proxy Circular and the summary thereof:

- “*Amalco*” — The company resulting from the amalgamation of the Company and MergerSub which will be named “The QuébecTel Group Inc.”.
- “*Amalco Common Shares*” — The common shares in the capital of Amalco, the rights, privileges, restrictions and conditions of which are set forth in Schedule A hereto.
- “*Amalco Redeemable Preferred Shares*” — The redeemable preferred shares in the capital of Amalco which Shareholders other than MergerSub will receive upon the amalgamation, the rights, privileges, restrictions and conditions of which are set forth in Schedule A hereto.
- “*Amalco Transaction Agreements*” — The Merger Agreement, the subscription agreement between TELUS and MergerSub dated as of the Effective Date pursuant to which TELUS will acquire approximately 17,874,925 common shares of MergerSub, the share purchase agreement between TELUS and Anglo-Canadian dated as of the Effective Date, pursuant to which TELUS will acquire on the Effective Date or shortly thereafter approximately 7,198,947 (or 20%) of the issued and outstanding Amalco Common Shares beneficially owned by Anglo-Canadian on the Effective Date, and the amending agreement between TELUS Corporation (an affiliate of TELUS) and GTE dated as of the Effective Date to extend the licensing to TELUS of substantially all of GTE’s brands and technology to include the Company’s franchise territory.
- “*Amalgamation*” — The amalgamation of the Company and MergerSub pursuant to Part IA of the QCA, on the terms and conditions set forth in the Amalgamation Agreement, together with the subsequent redemption of the Amalco Redeemable Preferred Shares.
- “*Amalgamation Agreement*” — The amalgamation agreement between the Company and MergerSub in the terms set forth in Schedule A hereto.
- “*Anglo-Canadian*” — Anglo-Canadian Telephone Company, a corporation incorporated under Part IA of the QCA and whose head office is located at Suite 2900, 1501 McGill College Avenue, Montreal, Quebec H3A 3M8.
- “*Articles of Amalgamation*” — The articles of amalgamation giving effect to the amalgamation of QuébecTel and MergerSub to be filed pursuant to Part IA of the QCA.
- “*Board*” or “*Board of Directors*” — The board of directors of the Company.
- “*Business Day*” — A day which is not a Saturday, Sunday or statutory holiday in Quebec or Ontario and on which banks are open for business in Montreal and Toronto.
- “*By-law 2000-1*” — By-law 2000-1 adopted by the Board of Directors approving the Amalgamation Agreement to be considered at the Meeting, in the form set forth in Schedule A hereto.
- “*Canadian carrier*” or “*carrier*” — A telecommunications common carrier that is subject to the legislative authority of Parliament.
- “*Certificate of Amalgamation*” — The certificate of amalgamation to be issued pursuant to the QCA to give effect to the Articles of Amalgamation.
- “*CIBC World Markets*” — CIBC World Markets Inc.
- “*Circular*” or “*Management Proxy Circular*” — This Management Proxy Circular of QuébecTel.
- “*Common Shares*” — The common shares in the capital of QuébecTel.
- “*Company*” or “*QuébecTel*” — The QuébecTel Group Inc., a company governed by Part IA of the QCA and whose head office is located at 6 Jules-A.-Brillant, Rimouski, Quebec G5L 7E4.

“**Competing Transaction**” — An offer or a proposal made to QuébecTel in writing and duly authorized by the board of directors of the person making the offer or proposal (i) to purchase or otherwise acquire, directly or indirectly (including by means of a transaction described in clause (iv) below), all of the Common Shares or all or substantially all of the assets of QuébecTel, (ii) that provides in the good faith opinion of the Board of Directors of QuébecTel after consultation with QuébecTel’s investment advisor, for a value per share greater than the value per Common Share contemplated by the Merger Agreement, (iii) that to the extent it offers cash consideration, is fully financed (subject to usual terms and conditions on the drawing of such financing), (iv) is made or proposed to be made by means of a take-over bid, amalgamation, plan of arrangement, business combination, sale of assets or similar transaction, (v) with conditions no more beneficial, taken as a whole, to the person proposing or making the offer than those contemplated by the Merger Agreement for the benefit of TELUS, and (vi) which the Board of Directors of QuébecTel determines in good faith to be more favourable to the Shareholders from a financial point of view than the transaction contemplated by the Merger Agreement, having regard to all circumstances under such offer or proposal, and which the Board of Directors of QuébecTel intends to recommend to the Shareholders.

“**CRTC**” — The Canadian Radio-television and Telecommunications Commission.

“**Depositary**” — General Trust of Canada.

“**Effective Date**” — The date shown on the Certificate of Amalgamation to be issued pursuant to Part IA of the QCA, which date is anticipated to be June 1, 2000.

“**Fairness Opinion**” — The fairness opinion prepared in connection with the proposed Amalgamation, dated March 30, 2000, by CIBC World Markets, a copy of which is attached hereto as Schedule C.

“**GTE**” — GTE Corporation.

“**Independent Committee**” — The independent committee of the Board consisting of Mrs. Denise Verreault and Messrs. Raymond Garneau, Marcel Dutil and Jean Gaulin.

“**Letter of Transmittal**” — The form of letter of transmittal (blue form) that accompanies this Circular.

“**ME**” — The Montreal Exchange.

“**Meeting**” — The special general meeting of Shareholders to be held to confirm By-law 2000-1 approving the Amalgamation Agreement.

“**Merger Agreement**” — The merger agreement dated as of March 30, 2000 among QuébecTel, TELUS and Anglo-Canadian.

“**MergerSub**” — 9090-4202 Québec Inc., a company incorporated under Part IA of the QCA solely for the purpose of effecting the amalgamation and whose head office is located at 6 Jules-A.-Brillant, Rimouski, Québec G5L 7E4.

“**Minority Shareholders**” — All the holders of Common Shares other than:

- (i) GTE, Anglo-Canadian, MergerSub and TELUS;
- (ii) any person or company which alone or in combination with others holds a sufficient number of securities or has contractual rights sufficient to affect materially the control of GTE, Anglo-Canadian, MergerSub or TELUS;
- (iii) any person or company in respect of which a person or company referred to in item (ii) above, alone or in combination with others, holds a sufficient number of securities or has contractual rights sufficient to affect materially its control;
- (iv) any person or company in respect of which GTE, Anglo-Canadian, MergerSub or TELUS, alone or in combination with others, holds a sufficient number of securities or has contractual rights sufficient to affect materially its control;
- (v) any person or company who beneficially owns, directly or indirectly, voting securities of GTE, Anglo-Canadian, MergerSub or TELUS or who exercises control or direction over voting securities of GTE, Anglo-Canadian, MergerSub or TELUS or a combination of the foregoing, carrying more than 10% of the voting rights attached to all the voting securities of GTE, Anglo-Canadian, MergerSub or TELUS, as the case may be, for the time being outstanding;
- (vi) any person or company acting jointly or in concert with any person or company referred to in items (i) to (v) above;

- (vii) any person or company that manages or directs, to any substantial degree, the affairs or operations of GTE, Anglo-Canadian, MergerSub or TELUS under an agreement, arrangement or understanding between the person or company and GTE, Anglo-Canadian, MergerSub or TELUS;
- (viii) any director or senior officer of QuébecTel or of any person or company referred to in items (i) to (vii) and in item (ix), other than a director or senior officer of QuébecTel who is independent from GTE, Anglo-Canadian, MergerSub or TELUS; or
- (ix) any affiliate (as that term is defined in the *Securities Act* (Quebec) or the *Securities Act* (Ontario)) of, an affiliated entity of, a person controlling or a company controlled by any of the foregoing.

“**Policy Q-27**” — Policy statement No. Q-27 of the Commission des valeurs mobilières du Québec.

“**Policy 9.1**” — Policy statement No. 9.1 of the Ontario Securities Commission.

“**QCA**” — The *Companies Act*, R.S.Q., c. C-38.

“**RBC Dominion Securities**” — RBC Dominion Securities Inc.

“**Redemption Amount**” — The sum of \$23.00 per Amalco Redeemable Preferred Share.

“**Redemption Date**” — The day on which Amalco redeems all of the issued and outstanding Amalco Redeemable Preferred Shares, provided that such redemption occurs within three (3) Business Days following the Effective Date.

“**Rule 61-501**” — Rule 61-501 and Companion Policy 61-501 under the *Securities Act* (Ontario).

“**Scotia Capital**” — Scotia Capital Inc.

“**Shareholder(s)**” — The holder(s) of Common Shares.

“**TELUS**” — BCT.TELUS Communications Inc.

“**Termination Date**” — June 30, 2000 or such later date as may be agreed upon in writing among QuébecTel, TELUS and Anglo-Canadian, but in any event, not later than July 31, 2000.

“**TSE**” — The Toronto Stock Exchange Inc.

“**Valuation**” — The valuation of the Common Shares prepared in connection with the proposed Amalgamation, dated March 29, 2000, by Scotia Capital, a copy of which is attached hereto as Schedule B.

All dollar references in this Management Proxy Circular are in Canadian dollars, except where otherwise indicated.

GENERAL PROXY INFORMATION

SOLICITATION OF PROXIES

THIS MANAGEMENT PROXY CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY MANAGEMENT OF QUÉBECTEL OF PROXIES TO BE USED AT the Meeting and any adjournment thereof for the purposes set forth in the accompanying Notice of the Meeting.

It is expected that the solicitation by management will be primarily by mail, although proxies may also be solicited personally, by advertisement, by telephone or by facsimile, by officers, directors and employees of QuébecTel without special compensation. The cost of such solicitation will be borne by QuébecTel.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are members of the Board of Directors or of management of QuébecTel. A Shareholder has the right to appoint a person (who need not be a Shareholder) other than the persons designated in the enclosed form of proxy to attend and act for him or her and on his or her behalf at the Meeting or any adjournment thereof. To exercise this right, the Shareholder must insert the name of the desired person in the blank space provided in the proxy or may submit another appropriate form of proxy.

A Shareholder giving a proxy may revoke the proxy by instrument in writing executed by the Shareholder or his or her attorney authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either with General Trust of Canada, at its office located at 1100 University Street, Suite 900, Montreal, Quebec H3B 2G7 at any time up to and including the second Business Day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law but prior to the exercise of such proxy in respect of any particular matter.

VOTING OF PROXIES

The persons named in the enclosed form of proxy for use at the Meeting will vote the Common Shares in respect of which they are appointed in accordance with the directions of the Shareholders appointing them on any ballot requested or required by law. **IN THE ABSENCE OF SUCH DIRECTION, THE COMMON SHARES REPRESENTED BY THE PROXIES HEREBY SOLICITED, WILL BE VOTED FOR THE CONFIRMATION OF BY-LAW 2000-1 APPROVING THE AMALGAMATION AGREEMENT.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations of matters identified in the notice of the Meeting and with respect to other matters which may properly come before the Meeting. At the date hereof, the management of QuébecTel knows of no such amendments, variations or other matters to come before the Meeting. **HOWEVER, IF ANY SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS WHICH ARE NOT NOW KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE COMMON SHARES REPRESENTED BY THE PROXIES HEREBY SOLICITED WILL BE VOTED THEREON IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSON OR PERSONS VOTING SUCH PROXIES.**

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

QuébecTel has fixed April 26, 2000 as the record date ("Record Date") for the purpose of determining Shareholders entitled to receive notice of the Meeting. As of April 26, 2000, there were 35,901,360 Common Shares outstanding.

Each holder of Common Shares is entitled to one vote at the Meeting or any adjournment thereof for each Common Share registered in the holder's name as at the Record Date, except that a transferee of Common Shares acquired since the Record Date shall be entitled to vote such Common Shares at the Meeting if the transferee has made a written request to that effect at any time before the Meeting and establishes ownership of such Common Shares.

To the knowledge of the directors and officers of QuébecTel, as at April 26, 2000, the only person who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the Common Shares is Anglo-Canadian, which beneficially owns 17,997,368 Common Shares, representing approximately 50.17% of all outstanding Common Shares.

SUMMARY

The following is a summary of certain significant information appearing elsewhere in this Management Proxy Circular. Certain capitalized terms used in this summary are defined in the Management Proxy Circular. This summary is qualified in its entirety by the more detailed information appearing elsewhere, or incorporated by reference, in this Management Proxy Circular. Shareholders are urged to read this Management Proxy Circular and the attached Schedules in their entirety.

Date, Time and Place of Meeting

The Meeting will be held on May 31, 2000, at 11:00 a.m. (local time), at the Hôtel Rimouski, Centre des Congrès, 225 René-Lepage Boulevard East, Rimouski, Quebec.

Record Date

The record date for determination of Shareholders entitled to receive notice of the Meeting is April 26, 2000.

Purpose of Meeting

The purpose of the Meeting is to consider, and if thought advisable, to confirm By-law 2000-1 approving the Amalgamation Agreement. The full text of By-law 2000-1 and the Amalgamation Agreement is attached as Schedule A to this Management Proxy Circular.

QuébecTel

QuébecTel, through its various subsidiaries, offers a complete range of wireline and wireless telecommunications services as well as a highly diversified portfolio of products and services in the fields of information technology and electronic business solutions to a large number of businesses and consumers in the province of Quebec. The Company owns and operates state-of-the-art infrastructure representing the second largest telecommunications system in the province of Quebec with investments of \$900 million and revenues of \$356 million for the year ended 1999, and a workforce of approximately 2,150 employees. The Company's franchise area comprises the eastern region of the province of Quebec. The Company also has business operations in several of the principal cities of the province of Quebec, including Montreal, Quebec City and Rimouski.

TELUS

TELUS, through its operating subsidiaries, provides a full range of communications services including voice and data services carried over both wireline and wireless networks. TELUS owns and operates Canada's second largest telephone operating system, covering approximately 99% of British Columbia's population and approximately 100% of Alberta's population, and is the leading supplier of wireless communications services in British Columbia and Alberta. Interconnection with other communications carriers enables the customers of TELUS to communicate nationally and globally. TELUS had approximately 4.5 million network access lines and 21,601 employees at the end of 1999, and \$5.9 billion in revenues for the year ended 1999. Anglo-Canadian, the majority shareholder of QuébecTel, beneficially owns approximately 26.67% of the shares in the capital of TELUS.

GTE — Anglo-Canadian

GTE

GTE, together with its subsidiaries, is a leading telecommunications provider with one of the industry's broadest arrays of products and services. It is one of the world's largest publicly-held telecommunications companies, with 1999 revenues of more than U.S. \$25 billion.

On July 28, 1998, GTE announced its intention to combine in a merger of equals with Bell Atlantic Corporation. Both companies are working diligently to complete the merger and are targeting completion of the merger during the second quarter of 2000.

Through Anglo-Canadian, GTE holds an interest of approximately 26.67% of the outstanding voting and non-voting shares of TELUS and an interest of approximately 50.17% of the Common Shares of QuébecTel.

Anglo-Canadian

Anglo-Canadian acts in Canada mainly as a holding company for GTE, holding an interest of approximately 26.67% of the outstanding voting and non-voting shares of TELUS and approximately 50.17% of the outstanding Common Shares of QuébecTel. Anglo-Canadian has an operating division called Dominion Information Services, a directory advertising, selling and production operation that principally serves customers of QuébecTel and customers located in British Columbia. The outstanding voting common shares of Anglo-Canadian are all owned indirectly by GTE, which also owns a number of Anglo-Canadian's outstanding preferred shares. The Anglo-Canadian preferred shares have restricted voting rights and are listed on the TSE and those not indirectly owned by GTE are publicly held. GTE directly and indirectly holds 86.39% voting control over the votes attached to Anglo-Canadian's outstanding common and preferred shares.

9090-4202 Québec Inc.

9090-4202 Québec Inc. or MergerSub, a newly incorporated wholly-owned direct subsidiary of Anglo-Canadian, was formed solely for the purpose of effecting the Amalgamation and will be the registered holder of 17,997,368 Common Shares prior to the amalgamation.

Market Prices

The closing sale price of the Common Shares on the TSE on March 30, 2000, the last trading day before the proposed Amalgamation was publicly announced, was \$20.65. See "The Amalgamation — Trading History".

Background and Reasons for the Amalgamation

Canadian foreign ownership regulatory restrictions prevent QuébecTel from offering switched telecommunications services as a carrier outside of its traditional franchise territory and have limited QuébecTel's ability to formulate and implement a long-term growth strategy that would assure the continued growth of the Company in the midst of the accelerating liberalization of the Canadian telecommunications market.

The Amalgamation and related transactions, which will reduce Anglo-Canadian's shareholding in QuébecTel to approximately 30%, will remove the foreign ownership regulatory restriction and limitations on QuébecTel's ability to pursue directly growth opportunities outside of its franchise territory. QuébecTel believes that the combination of its knowledge of the Quebec market and strong brand name with TELUS' strength in Western Canada, national expansion plans, and access to substantially all of GTE's technology (which TELUS currently licenses), will lead to a more effective penetration of major urban centres in Quebec.

TELUS and Anglo-Canadian will hold respectively approximately 70% and 30% of the outstanding Amalco Common Shares after the Amalgamation and the purchase, by TELUS, of Amalco Common Shares from Anglo-Canadian. The Company considered several alternatives to the Amalgamation, but determined that the Amalgamation was the best method to achieve its purpose. The Company also considered the consequences of the Amalgamation to the Company and its Shareholders, including the Minority Shareholders. See "The Amalgamation — Background and Reasons for the Amalgamation" and "Consequences to Minority Shareholders".

Terms of the Amalgamation

QuébecTel, TELUS and Anglo-Canadian have entered into a Merger Agreement whereby QuébecTel will combine its business with that of TELUS through the amalgamation of QuébecTel and MergerSub. Prior to the amalgamation, Anglo-Canadian will transfer all of its Common Shares in the Company to MergerSub in exchange for common shares of MergerSub and will engage in certain internal restructuring transactions involving MergerSub, and TELUS will subscribe for approximately 17,874,925 common shares of MergerSub for an aggregate cash consideration of approximately \$411,123,275 (or \$23.00 per share). MergerSub and the Company will amalgamate to form Amalco. Each common share in the capital of MergerSub held by Anglo-Canadian and TELUS will be converted into one Amalco Common Share and all the Common Shares in the capital of the Company held by MergerSub will be cancelled. Each Common Share in the capital of the Company held by a Shareholder, other than MergerSub, will be converted into one Amalco Redeemable Preferred Share. Amalco will redeem for cancellation all of its issued and outstanding Amalco Redeemable Preferred Shares at a cash Redemption Amount of \$23.00 per share within three (3) Business Days following the Effective Date. Concurrently with the amalgamation or shortly thereafter, TELUS will purchase from Anglo-Canadian 20% of the issued and outstanding Amalco Common Shares (approximately 7,198,947) for an aggregate cash consideration of approximately \$165,575,781 (or \$23.00 per share). Following the Amalgamation

and the purchase, by TELUS, of Amalco Common Shares from Anglo-Canadian, TELUS and Anglo-Canadian will hold respectively approximately 70% and 30% of the outstanding Amalco Common Shares. See “The Amalgamation — Merger Agreement — Terms of the Amalgamation”.

Amalgamation Agreement

The amalgamation is to be carried out pursuant to Part IA of the QCA and, subject to obtaining confirmation by the Shareholders of By-Law 2000-1 approving the Amalgamation Agreement and the filing of Articles of Amalgamation, will become effective on the Effective Date. The Effective Date of the amalgamation is expected to be June 1, 2000. The Amalgamation Agreement provides, among other things, that on the Effective Date:

- (a) the name of the company resulting from the amalgamation will be “The QuébecTel Group Inc.” and its head office will be located in Rimouski, Quebec;
- (b) each Common Share of the Company held by a Shareholder (other than MergerSub) will be converted into one fully paid and non-assessable Amalco Redeemable Preferred Share ;
- (c) all of the Common Shares of the Company held by MergerSub will be cancelled, without any repayment of capital in respect thereof;
- (d) each Common Share of MergerSub held by Anglo-Canadian and TELUS will be converted into one fully paid and non-assessable Amalco Common Share; and
- (e) all of the Amalco Redeemable Preferred Shares will be redeemed within three (3) Business Days following the Effective Date at the Redemption Amount of \$23.00 per share payable in cash such that, after the amalgamation and completion of the transactions set forth in the Amalco Transaction Agreements, TELUS and Anglo-Canadian will beneficially own approximately 70% and 30% of the issued and outstanding Amalco Common Shares, respectively.

The share provisions attaching to each of the Amalco Redeemable Preferred Shares will require Amalco to redeem all of such shares at \$23.00 per share within three (3) Business Days following the Effective Date.

Pursuant to the Amalgamation, each Shareholder other than Anglo-Canadian and TELUS will receive \$23.00 per share in cash on the redemption of the Amalco Redeemable Preferred Shares. Amalco will pay an aggregate of approximately \$411,123,275 to effect this redemption.

Following the Amalgamation, Shareholders other than Anglo-Canadian and TELUS will cease to have any ownership in Amalco and will cease to participate in future earnings and growth, if any, of Amalco or benefit from any increases, if any, in the value of Amalco.

See “The Amalgamation — Amalgamation Agreement”.

Independent Committee

The mandate of the Independent Committee, which was initially created by the Board on February 15, 1999, comprised of Raymond Garneau, Marcel Dutil, Jean Gaulin and Denise Verreault, was revised on June 9, 1999 (a) to consider all possible options to ensure the growth and profitability of QuébecTel to the benefit of all Shareholders (including its Minority Shareholders), and to pay particular attention to the foreign ownership regulatory restriction and access to the appropriate technology, (b) to report the results of its findings to the Board, and (c) to retain financial and legal advisors with appropriate expertise for the proper execution of the mandate. The Independent Committee retained Scotia Capital to prepare a formal valuation of the Common Shares and CIBC World Markets to provide financial advice and an opinion as to the fairness, from a financial point of view, of the consideration to be received for the Common Shares by the Minority Shareholders pursuant to any proposed transactions. On March 29, 2000, Scotia Capital presented the Valuation to the Independent Committee and on March 30, 2000, CIBC World Markets issued a Fairness Opinion. Based on the conclusion of the Valuation, Fairness Opinion and several other factors (see “The Amalgamation — Recommendations of the Independent Committee and the Board of Directors”), the Independent Committee unanimously determined that the consideration to be received by the Minority Shareholders pursuant to the Amalgamation is fair from a financial point of view. See “The Amalgamation — Valuation” and “The Amalgamation — Fairness Opinion”.

Valuation

On March 3, 2000, the Independent Committee retained Scotia Capital to provide a formal valuation of the Common Shares. In the opinion of Scotia Capital, subject to the assumptions and qualifications set out in the Valuation, the fair market value of each Common Share as at March 29, 2000 was in the range of \$21.00 to \$25.25. A copy of the Valuation is attached as Schedule B to this Management Proxy Circular. As required under Policy 9.1 and Policy Q-27, fair market value for the purpose of the Valuation is the highest price available in an open and unrestricted market between informed and prudent parties, acting at arm's length, with no downward adjustments to reflect the fact that the Common Shares held by Shareholders other than Anglo-Canadian do not form part of a controlling interest. See "The Amalgamation — Valuation".

Fairness Opinion

The Independent Committee retained CIBC World Markets to provide an opinion as to the fairness, from a financial point of view, of the consideration to be received by the Minority Shareholders pursuant to the Amalgamation. In the opinion of CIBC World Markets, as of March 30, 2000, based on the assumptions and limitations in the Fairness Opinion, the consideration to be received for the Common Shares pursuant to the Amalgamation is fair, from a financial point of view, to the Minority Shareholders. A copy of the Fairness Opinion is attached as Schedule C to this Management Proxy Circular. See "The Amalgamation — Fairness Opinion".

Recommendation of the Board

After due consideration of the unanimous recommendation of the Independent Committee, as well as the factors considered by the Independent Committee, the Board has determined to support the proposed Amalgamation. **Subject to the abstentions from voting of Messrs. Alfred C. Giammarino and Larry J. Sparrow due to their respective relationships with Anglo-Canadian and GTE, the Board unanimously recommends that the Shareholders vote FOR the confirmation of By-law 2000-1 approving the Amalgamation Agreement. Notwithstanding such abstentions of the above-named directors, each of them concurs with the recommendation of the Board.** See "The Amalgamation — Recommendation of the Independent Committee and the Board of Directors".

Votes Required

For the amalgamation to be approved by the Shareholders, By-law 2000-1 must be confirmed by:

- (a) at least 66²/₃% of the votes cast by the Shareholders present in person or represented by proxy at the Meeting; and
- (b) at least a majority of the votes cast by the Minority Shareholders present in person or represented by proxy at the Meeting.

Anglo-Canadian has advised management of the Company that, subject to the terms and conditions of the Merger Agreement, it will cause its subsidiaries and affiliates (including MergerSub) to vote all their Common Shares for the confirmation of By-law 2000-1 approving the Amalgamation Agreement.

See "The Amalgamation — Votes required for the Amalgamation".

Procedure for the Surrender of Share Certificates and Payment

The Letter of Transmittal enclosed with this Management Proxy Circular sets forth the details of the procedure for surrendering the certificates representing Common Shares to the Depositary and for obtaining payment of the Redemption Amount of the Amalco Redeemable Preferred Shares to be issued upon the conversion of the Common Shares. If the Articles of Amalgamation are not filed by the Termination Date, the Letter of Transmittal will be of no effect and the Depositary will return all deposited QuébecTel share certificates to the registered Shareholders forthwith. See "The Amalgamation — Procedure for the Surrender of Share Certificates and Payment".

Canadian Federal Income Tax Considerations

In the opinion of Ogilvy Renault, legal counsel to the Company, in general, no gain or loss will be realized by Shareholders upon the amalgamation. However, the redemption of the Amalco Redeemable Preferred Shares issued to Shareholders upon the amalgamation will result in a disposition of the Amalco Redeemable Preferred Shares and will give rise to tax consequences to Shareholders. Shareholders should consult their own tax advisors for advice with respect to the tax consequences to them of the Amalgamation. See "The Amalgamation — Canadian Federal Income Tax Considerations".

THE AMALGAMATION

MEETING OF SHAREHOLDERS

The Meeting has been called to consider and, if thought advisable, to confirm By-law 2000-1 approving the Amalgamation Agreement. Subject to the confirmation of By-law 2000-1 at the Meeting, as a result of the Amalgamation and the Amalco Transaction Agreements, QuébecTel and MergerSub will amalgamate and continue as one company to be named “The QuébecTel Group Inc.”, with its head office located in Rimouski, Quebec, which will be owned approximately 70% by TELUS and 30% by Anglo-Canadian.

QUÉBECTEL

QuébecTel, through its various subsidiaries, offers a complete range of wireline and wireless telecommunications services as well as a highly diversified portfolio of products and services in the fields of information technology and electronic business solutions to a large number of businesses and consumers in the province of Quebec. The Company owns and operates state-of-the-art infrastructure representing the second largest telecommunications system in the province of Quebec with investments of \$900 million and revenues of \$356 million for the year ended 1999, and a workforce of approximately 2,150 employees. The Company’s franchise area comprises the eastern region of the province of Quebec. The Company also has business operations in several of the principal cities of the province of Quebec, including Montreal, Quebec City and Rimouski.

TELUS

TELUS, through its operating subsidiaries, provides a full range of communications services including voice and data services carried over both wireline and wireless networks. TELUS owns and operates Canada’s second largest telephone operating system, covering approximately 99% of British Columbia’s population and approximately 100% of Alberta’s population, and is the leading supplier of wireless communications services in British Columbia and Alberta. Interconnection with other communications carriers enables the customers of TELUS to communicate nationally and globally. TELUS had approximately 4.5 million network access lines and 21,601 employees at the end of 1999, and \$5.9 billion in revenues for the year ended 1999. Anglo-Canadian, the majority shareholder of QuébecTel, beneficially owns approximately 26.67% of the shares in the capital of TELUS.

GTE — ANGLO-CANADIAN

GTE

GTE, together with its subsidiaries, is a leading telecommunications provider with one of the industry’s broadest arrays of products and services. It is one of the world’s largest publicly-held telecommunications companies, with 1999 revenues of more than U.S. \$25 billion.

On July 28, 1998, GTE announced its intention to combine in a merger of equals with Bell Atlantic Corporation. Both companies are working diligently to complete the merger and are targeting completion of the merger during the second quarter of 2000.

Through Anglo-Canadian, GTE holds an interest of approximately 26.67% of the outstanding voting and non-voting shares of TELUS and an interest of approximately 50.17% of the Common Shares of QuébecTel.

Anglo-Canadian

Anglo-Canadian acts in Canada mainly as a holding company for GTE, holding an interest of approximately 26.67% of the outstanding voting and non-voting shares of TELUS and approximately 50.17% of the outstanding Common Shares of QuébecTel. Anglo-Canadian has an operating division called Dominion Information Services, a directory advertising, selling and production operation that principally serves customers of QuébecTel and customers located in British Columbia. The outstanding voting common shares of Anglo-Canadian are all owned indirectly by GTE, which also owns a number of Anglo-Canadian’s outstanding preferred shares. The Anglo-Canadian preferred shares have restricted voting rights and are listed on the TSE and those not indirectly owned by GTE are publicly held. GTE directly and indirectly holds 86.39% voting control over the votes attached to Anglo-Canadian’s outstanding common and preferred shares.

9090-4202 QUÉBEC INC.

9090-4202 Québec Inc. or MergerSub was incorporated under Part IA of the QCA for the sole purpose of effecting the Amalgamation. Prior to the amalgamation, MergerSub will have no assets other than the 17,997,368 Common Shares it will acquire from Anglo-Canadian and approximately \$411,123,275 from the subscription of shares in MergerSub by TELUS. The sole director and the sole shareholder of MergerSub have given all requisite corporate authorizations for MergerSub to enter into the Amalgamation Agreement and to perform its obligations thereunder. See “The Amalgamation — Corporate Charts”.

TRADING HISTORY

The Common Shares are listed on the TSE under the symbol “QTG”. The Common Shares were previously also listed on the ME. As a result of the realignment of Canadian stock exchanges, the listing of senior issuers on the ME was suspended on December 3, 1999. The following table shows the high and low sale prices and volume of trading in the Common Shares on the TSE and the ME for the periods indicated.

	TSE			ME		
	High (\$)	Low (\$)	Volume (000's)	High (\$)	Low (\$)	Volume (000's)
1998						
First Quarter	18.13	14.70	380	18.25	14.63	1,201
Second Quarter	21.00	17.75	324	20.88	17.50	1,374
Third Quarter	19.75	14.45	551	19.80	14.00	1,619
Fourth Quarter	19.00	14.50	957	19.00	14.15	843
1999						
First Quarter	18.35	16.75	85	18.60	16.45	919
Second Quarter	18.65	15.60	70	18.75	15.50	1,081
Third Quarter	16.70	15.05	291	16.70	15.00	917
Fourth Quarter (1)	15.85	13.00	812	15.95	14.00	505
2000						
First Quarter	22.75	12.65	5,713			
Second Quarter (2)	22.80	22.35	4,103			

(1) Last day of trading on the ME was December 3, 1999.

(2) From April 1 to May 1, 2000.

The closing sale price of the Common Shares on the TSE on March 30, 2000, the last trading day before the proposed Amalgamation was publicly announced, was \$20.65.

BACKGROUND AND REASONS FOR THE AMALGAMATION

Industry Trends

Deregulation has significantly altered the landscape of the Canadian telecommunications industry and has allowed for a much more competitive market. Competition in the long distance market has put significant downward pressure on long-distance rates and has led to erosion of the market shares of incumbent telecommunications companies. Furthermore, the deregulation of the local access market and the break-up of the Stentor alliance have not only exposed incumbent telephone operators to competition from alternative service providers such as competitive local exchange carriers (CLECs) and cable companies, they have also resulted in competition by incumbent telephone operators in each others' traditional service areas. Faced with this rapidly changing landscape, incumbent telephone operators have had to take initiatives to protect their traditional businesses and compensate for the gradual erosion of their existing revenue base. As such, the incumbent telephone operators have sought to expand their services outside their traditional territories, invest in high growth business areas such as Internet, e-commerce, information technology and new media and improve the range of their service offerings. This need for geographical and service expansion has been the major driving force of the consolidation activity in the telecommunications market over the last two years, as telecommunications companies have sought to achieve the critical mass necessary to widen their service offering and have sought to accelerate time to market in new service areas.

Rationale for QuébecTel

As Quebec's second largest telecommunications company, QuébecTel faces the same structural shifts as other Canadian telecommunications companies. Long distance competition has already been introduced in QuébecTel's franchise territory. Local competition is set to begin in 2002, the same year in which QuébecTel will become subject to the price cap method of regulation. Unlike other Canadian telecommunications companies, however, QuébecTel's ability to combat increased competition through out-of-territory expansion is severely limited by foreign ownership restrictions under the *Telecommunications Act*.

The *Telecommunications Act* only permits non-Canadians to directly own up to 20% of the voting shares of a Canadian carrier and up to 33.3% of the voting shares of a holding company, for a total maximum shareholding of 46.7%. In addition, regardless of equity ownership, a Canadian carrier cannot be controlled in fact by non-Canadians. GTE and Anglo-Canadian are non-Canadians for the purpose of the *Telecommunications Act*. Through Anglo-Canadian, GTE has owned more than 50% of QuébecTel since 1966. By virtue of this long-standing foreign ownership, Québec-Téléphone (wholly-owned regulated subsidiary of QuébecTel) has been "grandfathered" as a Canadian carrier and, as such, Anglo-Canadian is permitted to maintain its greater than 50% ownership in QuébecTel. However, as long as Anglo-Canadian owns more than the permitted level of voting shares, QuébecTel is not permitted to directly offer, as a carrier, any switched telecommunications services outside of its franchise territory.

The Amalgamation and related transactions, which will reduce Anglo-Canadian's shareholding in QuébecTel to approximately 30%, will remove the foreign ownership regulatory restriction and limitations on QuébecTel's ability to pursue directly growth opportunities outside of its franchise territory. QuébecTel believes that the combination of its knowledge of the Quebec market and strong brand name with TELUS' strength in Western Canada, national expansion plans, and access to substantially all of GTE's technology (which TELUS currently licenses), will lead to a more effective penetration of major urban centres in Quebec.

Rationale for TELUS

TELUS, formed in 1999 from the merger of the two incumbent telephone companies in British Columbia and Alberta, is committed to grow beyond its historical provincial boundaries and establish itself as a national company. To that end, TELUS is implementing an expansion strategy to enable it to offer products and services on a national basis.

The Amalgamation and related transactions represent an important step to TELUS in fulfilling this strategy. TELUS believes that the addition of QuébecTel will greatly accelerate its expansion into Quebec, as it enables TELUS to (a) make use of the knowledge and experience of QuébecTel management and employees with respect to the Quebec market, (b) gain access to modern infrastructure in and around key centres in Quebec such as Montreal and Quebec City, and to operations which are positioned to offer local services in these markets, and (c) leverage QuébecTel's Internet and systems integration businesses.

Rationale for GTE

GTE has agreed to support the Amalgamation because it is a substantial shareholder of both QuébecTel and TELUS and supports TELUS implementing its expansion strategy in the major markets of Quebec with QuébecTel.

Background to the Amalgamation

Canadian regulatory requirements prevent QuébecTel from offering switched telecommunications services as a carrier outside of its franchise territory and have limited QuébecTel's ability to formulate and implement a long-term growth strategy that would assure the continued growth of the Company in the midst of the accelerating liberalization of the Canadian telecommunications market.

As early as the end of 1996, QuébecTel recognized the need to extend its geographic reach to counteract the increased competition expected as a result of deregulation. At the beginning of 1997, QuébecTel incorporated out-of-franchise expansion in its strategic plan even though the implementation of such an expansion would be difficult given the limits imposed by Canadian regulatory restrictions on the Company while it was majority-owned by GTE, a non-Canadian company.

In February 1998, faced with an order from the CRTC to implement equal access within its territory, thereby significantly facilitating long-distance competition, coupled with the prospect of deregulation of the local access market, QuébecTel submitted a request to Industry Canada to obtain authorization for out-of-franchise expansion.

In June 1998, as no response had been received from Industry Canada, the Company invested in a company called QuébecTel Alizé Inc. in order to participate in out-of-franchise expansion on a limited basis. However, because of the regulatory restrictions, QuébecTel could only acquire a 46.7% non-controlling equity interest, which limited the economic and operational benefits to QuébecTel as compared to acquiring control. QuébecTel continued to pursue alternative solutions.

In October 1998, BC TELECOM Inc. and TELUS Corporation announced their merger. As a result of the merger, GTE ceased to be a majority shareholder of BC TELECOM Inc. and became a 26.67% shareholder of TELUS, the corporation resulting from the merger. Contemporaneously with the merger, GTE licensed to TELUS substantially all of GTE's brands and technology for use in Canada, subject to compliance with certain terms and conditions. Although QuébecTel was not using substantially any of GTE's brands or technology, certain members of the Board were concerned by the fact that this intellectual property agreement gave TELUS the exclusive right to use GTE's brands and technology in the province of Quebec, save for QuébecTel's franchise territory.

Shortly thereafter, and over a period of several months, QuébecTel and GTE engaged in discussions to assess the possibility of restructuring their relationship in order for QuébecTel to offer, as a carrier, switched telecommunication services outside of its franchise territory. However, the discussions that were held between QuébecTel and GTE over the ensuing months revealed differing views as to methods of achieving resolution to the regulatory restrictions. QuébecTel and TELUS also initiated discussions of a strategic nature on December 15, 1998 when the two parties met to explore the feasibility of creating a co-operative model to develop the Quebec market.

In the meantime, QuébecTel continued to develop a business plan for a CLEC-type operation which would offer business telecommunication services in all major urban centres of the province of Quebec ("Out-of-Franchise Business Plan"). On April 21, 1999, since discussions with either GTE or TELUS had not progressed, the Board approved the Out-of-Franchise Business Plan, subject to resolving the foreign ownership regulatory restrictions.

As no significant progress was made in the discussions with TELUS or GTE, the Board decided to take a more proactive approach and on June 9, 1999 revised the mandate of the Independent Committee (which had been established on February 15, 1999) to include the development of a solution to the foreign ownership regulatory restriction and technology issues (the events surrounding which are more fully described in "The Amalgamation — Independent Committee").

On July 4, 1999, the legality of the QuébecTel Alizé Inc. structure was challenged before the CRTC by Bell Canada.

During the next few months, the Independent Committee worked with its advisors to develop alternatives which could lead to the resolution of the regulatory restriction and the technology issues. In early September, the Independent Committee and CIBC World Markets met with senior executives of GTE to present a limited number of solutions to QuébecTel's foreign ownership and technology concerns. At the end of the month, the Independent Committee received a proposal from GTE. However, the proposal was subsequently rejected by the Independent Committee as it did not present a solution acceptable to both parties.

On October 29, 1999, the Company issued a press release explaining the foreign ownership regulatory restriction and lack of progress towards resolution thereof.

In early November 1999, QuébecTel and TELUS renewed discussions. Throughout December and January, representatives from the two companies met repeatedly to discuss business models which could be used to develop jointly markets in major urban centres in Quebec. Both companies realized, though, that the joint development proposition was economically inferior to a model whereby TELUS would combine with QuébecTel in order to develop the Quebec market.

On February 18, 2000, the Independent Committee met with TELUS representatives at which time TELUS indicated its desire to purchase 100% of the equity held by the Minority Shareholders.

The events following February 18 which led up to the proposal of the Amalgamation are fully described in "The Amalgamation — Independent Committee".

In the following section, references to the Board or members of the Board exclude Messrs. Alfred C. Giammarino and Larry J. Sparrow who, due to their respective relationships with Anglo-Canadian and GTE, either did not attend meetings or abstained from voting.

INDEPENDENT COMMITTEE

On February 15, 1999, the Board of Directors determined that the Company should undertake negotiations with TELUS in order to develop a satisfactory agreement between the two companies. The Board passed a resolution establishing an Independent Committee comprised of Raymond Garneau, Marcel Dutil, Jean Gaulin and Denise Verreault to study the general aspects of a potential partnership that could be entered into with TELUS and also to study the potential impact of such partnership on the Minority Shareholders. The resolution authorized the Independent Committee to retain the services of both an external financial advisor and an external legal advisor having the required expertise for the nature of the transaction to be entered into. The Board also recommended that QuébecTel's Out-of-Franchise Business Plan be submitted to GTE for analysis and that discussions should take place between representatives of GTE and TELUS after which the Independent Committee would commence its deliberations.

The four members of the Independent Committee are not employees, insiders, associates or affiliates of TELUS or GTE, nor would they benefit from any transaction in any manner that differs from the benefits accruing to the Minority Shareholders.

At its first meeting held on March 11, 1999, the Independent Committee appointed Raymond Garneau as Chairman of the Independent Committee. It also determined as a priority the retention of the services of a legal advisor, independent from QuébecTel and its majority shareholder, in order to guide it in its work. The firm of McMaster Gervais, now known as Borden Ladner Gervais, was appointed to advise the members of the Independent Committee as to their role and legal responsibilities as members of an independent committee of a board of directors.

As no significant progress had been made in the discussions with TELUS or GTE, the Board of Directors of QuébecTel, at a meeting held on June 9, 1999, determined that the mandate originally given to the Independent Committee on February 15, 1999 should be substantially revised in order to permit the Independent Committee to consider all possible options. Accordingly, on June 9, 1999, the Board rescinded the resolution adopted on February 15, 1999 creating the Independent Committee, its composition and its mandate and passed a new resolution as follows:

- “1. That a committee of outside directors be created comprised of Raymond Garneau, Marcel Dutil, Jean Gaulin and Denise Verreault and that the members designate a Chairman among them.
2. That the Independent Committee be authorized to consider all possible options to ensure the growth and profitability of QuébecTel to the benefit of all its shareholders and to pay particular attention to the foreign ownership rules and access to the appropriate technology.
3. That the Independent Committee report to the Board of Directors the result of its findings.
4. That the Independent Committee be authorized to retain experts and/or consultants at the Company's expense, including legal advisors and investment bankers with appropriate expertise as determined by the Independent Committee for the proper execution of its mandate.”

The mandate of Raymond Garneau as Chairman of the Independent Committee was reconfirmed, as was the mandate of McMaster Gervais.

During the month of June 1999, the Independent Committee solicited expressions of interest from several investment bankers to act as financial advisors to the Independent Committee, with respect to the determination and analysis of possible options including proposals that could be made by GTE or related companies, and to inform the Independent Committee of the financial advisors' conclusions and thereafter, depending on such conclusions, to seek actively the solutions favoured by the Independent Committee. Such independent financial advisor was to review all options mentioned above and also all options which could ensure the growth and profitability of the Company for the benefit of Minority Shareholders and GTE. In addition, the financial advisor was to assist and advise the Independent Committee in its negotiations with GTE or related companies. If requested by the Independent Committee, the financial advisor was to prepare a formal valuation of the Common Shares of QuébecTel and, if requested by the Independent Committee, provide an opinion as to the fairness from a financial point of view of the consideration to be received for the Common Shares pursuant to any proposed transaction.

After enquiries and interviews, the Independent Committee was satisfied that CIBC World Markets had the expertise and competence to act as financial advisor and was independent of the Company, GTE and related companies. On such basis, the Independent Committee appointed CIBC World Markets on July 13, 1999 and expanded its mandate on August 23, 1999.

During the months of June and July, management of QuébecTel discussed various transaction structures with both GTE and TELUS. No satisfactory conclusion was reached among the parties.

The Independent Committee met on August 5, 1999 and reviewed the preliminary report of CIBC World Markets concerning the different options that might be acceptable to QuébecTel, with respect to regulatory restrictions on foreign-owned companies and access to GTE's technology. The Independent Committee discussed at great length the report of its financial advisor and then requested that CIBC World Markets immediately draft a proposal which could be analysed by the Independent Committee at its meeting the next day. If acceptable, this proposal would be adopted by the Independent Committee and submitted to the Board of Directors of QuébecTel.

The Independent Committee met again on Friday, August 6, 1999, with the representatives of CIBC World Markets. The Independent Committee analysed the proposed text prepared by CIBC World Markets, as requested by the Independent Committee on the previous day. After discussion and some amendments, the Independent Committee unanimously adopted the following amended proposal and recommended its approval by the Board of Directors at a meeting to be held later that day:

“The Independent Committee has received the report of the financial advisor and reviewed the options available to QuébecTel. The Independent Committee is of the view that solving the foreign ownership issue is of critical importance in enabling QuébecTel to pursue growth opportunities outside of its existing territory and to protect the value of all shareholders. Discussions with TELUS that would enable resolution of this issue are not leading to a satisfactory conclusion.

Given that resolution of the foreign ownership issue can best be achieved with the participation of the majority shareholder, it is resolved by the Board of Directors of QuébecTel that representatives of the Independent Committee begin discussions immediately with the majority shareholder to explore alternatives to solve the foreign ownership issue. The Independent Committee is to report back to the Board of Directors of QuébecTel prior to September 7, 1999.

While discussions are proceeding with the majority shareholder, the Board of Directors will advise management of QuébecTel that it is not appropriate to continue negotiations with TELUS on the ownership structure of QuébecTel Alizé Inc.’’

The recommendation of the Independent Committee to the Board was accepted and approved.

Subsequent to this meeting, correspondence was exchanged between the Chairman and Chief Executive Officer of GTE and the Chairman of QuébecTel and a meeting was scheduled for September 10, 1999 between the Independent Committee, representatives of CIBC World Markets, and the Chairman of the Board of QuébecTel, the Chairman of the Board and Chief Executive Officer of GTE and other senior officers of GTE. After an introductory presentation of the role of the Independent Committee and of the urgency of resolving the foreign ownership and the technology issues, GTE's objectives were then discussed as well as QuébecTel's role in the Quebec market. Possible solutions were then discussed with respect to the foreign ownership issue as well as the branding and technology concerns of QuébecTel. GTE committed itself to respond to the Independent Committee with respect to its presentation by September 30, 1999. Following the meeting, there was an exchange of correspondence between the Chairman of the Independent Committee and the Chairman and Chief Executive Officer of GTE both pledging their support and co-operation in order to try to achieve an acceptable solution for all parties, including TELUS. There was correspondence by the Chairman of the Independent Committee with management of QuébecTel and a meeting of the Independent Committee was held on September 24, 1999 to inform the Independent Committee members of a meeting between senior management of GTE and QuébecTel during the week of September 13. An update was also given on the status of QuébecTel Alizé Inc. and on the potential impact on timing due to the changes of senior management at TELUS.

As a follow up to the meeting held on September 10, 1999 referred to above, the Chairman of the Independent Committee received a letter from the Vice-Chairman and President International of GTE dated September 27, 1999 in which a proposal was made for the Independent Committee's consideration.

The Independent Committee met, reviewed the proposal and responded to the Chairman and Chief Executive Officer of GTE by letter dated October 7, 1999 commenting on the proposal. The Independent Committee informed GTE that for business reasons and timely disclosure obligations an agreement in principle between QuébecTel, GTE and TELUS must be reached before October 20, 1999 failing which the Independent Committee would recommend that

the status of the negotiations be disclosed to the public. A Board meeting was scheduled for October 20, 1999 in order to review the status of negotiations and determine the appropriate course of action to be taken by QuébecTel.

Negotiations continued between the parties but were protracted and, after advising GTE, the Independent Committee recommended that a press release be issued. The Company issued a press release on October 29, 1999 informing the shareholders and the public generally that the Independent Committee of the Board of QuébecTel had initiated meetings and discussions with the senior officers of GTE in order to resolve the foreign ownership limitation issue but that no progress had been made. The press release also stated that there could be no assurance that a favourable and satisfactory arrangement would be reached with GTE or TELUS.

The Independent Committee met again on December 13, 1999 to discuss other approaches made to other corporations since October 29, 1999 as a result of the protracted negotiations with GTE and ongoing but inconclusive discussions with TELUS. In November, representatives of TELUS and QuébecTel began exploring models of joint development for the province of Quebec. It was determined that the Independent Committee would meet again towards the end of January 2000 when more developments might have occurred.

At the request of TELUS, representatives of TELUS met separately with the members of the Independent Committee and senior management of QuébecTel on February 18, 2000 at which time TELUS indicated in writing that, subject to access to confidential information and due diligence, it expected to make an offer to the shareholders of QuébecTel.

The Independent Committee met on February 22, 2000 in order to prepare a response to the February 18 TELUS document. During the course of the meeting, a letter was received from TELUS dated February 22, 2000 to the effect that, subject to certain conditions such as Board approval, due diligence and unforeseen circumstances, TELUS expected to make a written offer to shareholders of QuébecTel at a price of \$18.50 per share.

At this time, CIBC World Markets explained to the Independent Committee the reasons why it considered that its services could not be retained by the Independent Committee in order to prepare a formal valuation of the shares of QuébecTel since the agreement between CIBC World Markets and the Independent Committee provided for a remuneration based on a percentage of the value of the Common Shares. After having discussed what other firms could be approached to do the formal valuation of the shares of QuébecTel, the Independent Committee mandated the Chairman to communicate with Scotia Capital for such purpose. The Chairman initially contacted Scotia Capital with respect to a potential advisory assignment and, on February 24, 2000, the Independent Committee received a letter of interest from Scotia Capital describing its expertise with respect to preparing a formal valuation and, if requested, a fairness opinion. The services of Scotia Capital were retained on March 3, 2000.

In a letter dated February 24, 2000, the Independent Committee informed TELUS that the Independent Committee could not endorse or recommend a price of \$18.50 per share which it considered to be too low. In such letter, the Independent Committee invited TELUS to send to the Independent Committee a written proposal setting forth the purchase price, a description of the key terms of the offer including the role of QuébecTel's existing management and the location of the Company's head office after the transaction. On March 3, 2000, TELUS wrote to the Chairman of the Board of QuébecTel and the Chairman of the Independent Committee offering to purchase all of the shares in QuébecTel owned by the public plus a minimum of 19% of the shares in QuébecTel owned by Anglo-Canadian, at a price of \$20 per share through an amalgamation, payable in cash. The offer was open for acceptance until March 8, 2000.

At a meeting of the Independent Committee held on March 7, 2000, the offer received from TELUS on March 3 was discussed. Since the Independent Committee would not receive a verbal opinion of the value of the QuébecTel shares from Scotia Capital until March 10, the Independent Committee requested a delay in order to respond to the offer made by TELUS and the March 8 deadline was extended to March 15. On March 10, 2000, the Chairman of the Independent Committee, Messrs. Gilles Laroche and Claude Gendron of QuébecTel met with representatives of Scotia Capital, CIBC World Markets and Borden Ladner Gervais. Scotia Capital distributed a draft document describing the process it had undertaken to make its preliminary valuation of the shares of QuébecTel and the additional work to be undertaken prior to finalizing its valuation and also distributed a summary of such preliminary valuation. After the presentation, the representatives of Scotia Capital answered questions and then left the meeting.

The Independent Committee met on March 13, 2000 with a representative of management of QuébecTel, representatives of CIBC World Markets, of Borden Ladner Gervais and of Scotia Capital. Scotia Capital explained the executive summary of the preliminary valuation, the basis for the valuation and the preliminary range of prices

arrived at. After the presentation, representatives of Scotia Capital responded to various questions and then left the meeting.

After discussion, the Chairman of the Independent Committee was instructed to write a letter to TELUS indicating that its offer was too low and that the Independent Committee had mandated CIBC World Markets to attempt to negotiate a higher price with RBC Dominion Securities, the financial advisor to TELUS.

In response, TELUS expressed a desire to obtain confidential information concerning QuébecTel's In-Franchise business to better assist it to value the Company. On March 15, QuébecTel management and CIBC World Markets provided TELUS and its advisor, RBC Dominion Securities, with QuébecTel's In-Franchise financial forecasts that had previously been provided to Scotia Capital.

Two meetings of the Independent Committee took place on March 22, 2000, one in the morning and one in the evening. At the morning meeting, Mr. Garneau mentioned that Mr. Canfield, the President and Chief Executive Officer of TELUS, had informed him that the offer of TELUS was now at \$21.50. At the evening meeting, the Chairman of the Independent Committee advised its members that he had received a letter from TELUS proposing a purchase price of \$22.00 per share, subject to the Independent Committee recommending to the Board of Directors that it recommend to the Minority Shareholders acceptance of the offer. The Independent Committee, after discussion with CIBC World Markets, believed that it could recommend an offer in the range of \$23.00 to \$23.50 per share. On instructions from the Independent Committee, the chairman informed TELUS that the Independent Committee could not recommend an offer at \$22.00 per share and explained why. The Chairman also mentioned to TELUS that the Independent Committee would be ready to recommend an offer in the range of \$23.50 per share. On March 23, 2000, TELUS verbally indicated to the Chairman of the Independent Committee that it was prepared to make a written offer at a price of \$23.00 per share on the condition that the Independent Committee undertake to recommend such offer to the Board of Directors which would then recommend such proposal to the Minority Shareholders, subject to TELUS satisfactorily completing its due diligence before making the offer in writing of \$23.00. CIBC World Markets and RBC Dominion Securities then discussed on several occasions and agreed that due diligence by the representatives of TELUS would take place on March 27 and 28, 2000.

Representatives of TELUS conducted a due diligence review on March 27 and March 28 and, late on March 28, TELUS confirmed that it was prepared to proceed with an offer at \$23.00 per Common Share.

The following day, March 29, Scotia Capital submitted its written Valuation of the Common Shares of QuébecTel establishing a range in value of the shares between \$21.00 and \$25.25.

A meeting of the Independent Committee took place on March 29. After consultation with the members of the Independent Committee, Mr. Garneau informed Mr. Brian Canfield, the President of TELUS, that the Independent Committee was prepared to recommend a purchase at \$23.00.

CIBC World Markets also analysed the offer of TELUS, reviewed the analysis by Scotia Capital and had discussions with GTE to the effect that it would not benefit from any advantages unavailable to the other shareholders at a price of \$23.00 per share. CIBC World Markets then issued a Fairness Opinion dated March 30, 2000 that the offer was fair from a financial point of view.

Based on the Valuation received from Scotia Capital establishing the range of values for the Common Shares between \$21.00 and \$25.25 and the Fairness Opinion received from CIBC World Markets that the consideration to be received by the Minority Shareholders pursuant to such offer was fair from a financial point of view, as well as the other material supporting factors referred to under "The Amalgamation — Recommendation of the Independent Committee and the Board of Directors", the Independent Committee recommended to the Board of Directors of QuébecTel that it recommend to its Shareholders that they accept the offer of TELUS at a price of \$23.00 per share.

In addition, the Independent Committee welcomed the written indications of TELUS with respect to: its current plans for a very significant role for the current management of QuébecTel in the development of a national strategy within the province of Quebec; its intention that a meaningful part of the execution of such strategy be managed and staffed from the current head office of QuébecTel in Rimouski; the continued expansion beyond QuébecTel franchise territory and growth in offices and staff in other locations in the province of Quebec; and the intention of TELUS to have the French language service component of its national strategy staffed from Quebec locations.

VALUATION

Engagement of Scotia Capital

The Independent Committee retained Scotia Capital pursuant to a written agreement between the Company and Scotia Capital dated March 3, 2000 (the “Engagement Agreement”) to prepare and deliver to the Independent Committee a Valuation of the Company’s Common Shares in accordance with the requirements of Policy 9.1 and Policy Q-27.

The terms of the Engagement Agreement provide for the payment of \$300,000 to Scotia Capital for the preparation of a preliminary valuation report to be presented to the Independent Committee and an additional \$100,000 for the provision of the Valuation. In addition, Scotia Capital is to be reimbursed for reasonable out-of-pocket expenses and to be indemnified by the Company in respect of certain liabilities which may be incurred by Scotia Capital with respect to its engagement. The financial advisory fee payable to Scotia Capital is not contingent in whole or in part on the conclusions reached in the Valuation or on the success of the Amalgamation.

The full text of the Valuation, which sets out the assumptions made, matters considered, procedures followed, limitations of the review undertaken and various qualifications in connection with the Valuation, is attached as Schedule B to this Management Proxy Circular. The summary of the Valuation set out herein is qualified in its entirety by reference to the full text of the Valuation. **Shareholders are urged to read the Valuation carefully and in its entirety.**

Scotia Capital delivered the Valuation to the Independent Committee on March 29, 2000 and the Valuation is dated as of that date.

Independence and Credentials of Scotia Capital

The Independent Committee was satisfied that Scotia Capital is qualified and competent to provide the services under the Engagement Agreement and is independent of the Company, TELUS, Anglo-Canadian, GTE and any of their respective affiliates or associates. Scotia Capital is one of Canada’s largest investment banking firms with operations in all facets of corporate, bank and government finance, mergers and acquisitions, equity and fixed income sales and trading, and investment research. Scotia Capital has participated in a significant number of transactions involving private and public companies and has extensive experience in preparing valuations and fairness opinions.

Scope of Review

During the period from February 24, 2000 to March 29, 2000, Scotia Capital carried out the work necessary to complete the Valuation. During such period, Scotia Capital reviewed publicly available information and financial statements as well as non-public information relating to the Company; reviewed information relating to the business, operations, financial performance and stock trading history of the Company and other selected public companies; reviewed public information relating generally to the telecommunications, information technology, electronic business and cable industries; conducted detailed due diligence sessions with management of the Company regarding their outlooks and strategies for each of their principal lines of business; held discussions with the auditors of the Company; and carried out other investigative exercises, all of which are more specifically described in the Valuation.

Assumptions and Limitations

Scotia Capital relied upon, without independent verification, all financial and other information that was obtained by it from public sources or that was provided to it by the Company and its affiliates, associates, advisors or otherwise and assumed that this information was complete and accurate and did not omit to state any material fact or any fact necessary to be stated to make that information not misleading. In accordance with the terms of its engagement, but subject to the exercise of its professional judgement, Scotia Capital did not conduct any independent investigation to verify the completeness or accuracy of such information. With respect to the financial forecasts and budgets provided to it and used in its analysis, Scotia Capital assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of the Company and its affiliates and associates as to the matters covered thereby.

The Valuation is based on the securities markets, economic, general business and financial conditions prevailing on the date of the Valuation and the conditions and prospects, financial and otherwise, of the Company as they were reflected in the information reviewed by Scotia Capital. In its analysis and in preparing the Valuation, Scotia Capital made numerous assumptions with respect to industry performance, general business and economic conditions, and

other matters, many of which are beyond the control of Scotia Capital, the Company, GTE, Anglo-Canadian or TELUS.

The Valuation is given as of the date of the Valuation and Scotia Capital (subject to Policy 9.1 and Policy Q-27) has disclaimed any undertaking or obligation to advise any person of any change in any fact or matter affecting the Valuation which may come or be brought to Scotia Capital's attention after the date of the Valuation. Without limiting the foregoing, in the event that there is any material change in any fact or matter after the date of the Valuation, Scotia Capital has reserved the right to change, modify or withdraw the Valuation.

Scotia Capital believes that its analyses must be considered as a whole and that selecting portions of its analyses and specific factors, without considering all factors and analyses together, could create a misleading view of the process underlying the Valuation.

Definition of Fair Market Value

For purposes of the Valuation, fair market value is defined as the highest price, expressed in terms of money or money's worth, available in an open and unrestricted market between informed and prudent parties, each acting at arm's length, where neither party is under any compulsion to act. Fair market value of the Company corresponds to the intrinsic value of the Common Shares as of the date of the Valuation and may differ from the quoted market price at such date. Scotia Capital has not made any downward adjustments to reflect the fact that the Common Shares held by Shareholders other than GTE, Anglo-Canadian and their affiliates do not form part of a controlling interest.

Valuation Methodology

Scotia Capital approached the Valuation of the Common Shares relying primarily upon a Net Asset Value ("NAV") analysis. This approach independently values the five core lines of business of the Company: telecommunications ("Telecommunications"), out-of-franchise telecommunications ("Out-of-Franchise"), information technology ("Dot.Com"), cable ("Cable"), and electronic business solutions ("Electronic Business Solutions"). Scotia Capital considered the NAV analysis the most appropriate methodology for valuing the Company as it considers the different risk prospects and growth opportunities of each line of business and, in deriving the value of each line of business, allows for different valuation methodologies and techniques to be employed. Each of the lines of business was analyzed on a going-concern basis. After determining the enterprise value of each line of business and the portion attributable to the Company, consolidated debt (net of cash and debt in partially owned entities already subtracted from segmented values) was subtracted to arrive at a range of values for the Common Shares.

In forming its views on value, Scotia Capital gave consideration to alternative methodologies for valuing the Company on a consolidated basis. Scotia Capital concluded that publicly-traded comparable companies analysis was not determinative for valuing the Company on a consolidated basis for various reasons including: (i) there is a limited group of companies that are comparable to the Company on a consolidated basis and none that share all of the risks and prospects of the Company; and (ii) the analysis reflects minority discount values rather than "en bloc" values.

With respect to precedent transaction analysis, Scotia Capital reviewed transactions in the telecommunications and related industries over the past three years. Following such review, Scotia Capital concluded that there were no recent comparable transactions, noting that Ameritech Corporation's 20% investment in Bell Canada, Bell Canada's 20% investment in Manitoba Telecom Services Inc. and BCE's purchase of an additional 11.6% of the common shares of Aliant Inc. represent minority investments rather than "en bloc" transactions. While transactions involving U.S. and European telecommunications companies were also considered, Scotia Capital did not consider these transactions to be relevant given the different market dynamics, risks, regulatory environments, and growth prospects of the Canadian telecommunications industry as compared to the foreign markets.

Valuation Analysis

Scotia Capital relied upon discounted cash flow ("DCF") analysis to value the Telecommunications business of the Company. The DCF analysis takes into account the amount, timing, and relative certainty of projected unlevered after-tax free cash flows expected to be generated by this line of business. The DCF analysis requires that certain assumptions be made regarding, among other things, future unlevered after-tax free cash flows, discount rates, and terminal values. The DCF analysis employed by Scotia Capital involved discounting to a present value the unlevered after-tax free cash flows of Telecommunications from January 1, 2000 to December 31, 2004 as well as terminal values determined as at December 31, 2004. Scotia Capital developed a view of the unlevered after-tax free cash flows of

Telecommunications by forecasting the revenue growth for each of the five separate revenue sources of Telecommunications:

- (i) local wireline;
- (ii) long-distance wireline;
- (iii) cellular and paging;
- (iv) internet; and
- (v) other.

Key assumptions regarding, among other things, EBITDA (earnings before interest, taxes, depreciation and amortization) margins, were considered by Scotia Capital on a segmented basis by revenue source while other assumptions regarding, among other things, capital expenditures were considered on a consolidated basis for Telecommunications. Scotia Capital selected a range of discount rates of 8.25% to 8.50% based on an estimated weighted average cost of capital for Telecommunications. To calculate the terminal value, Scotia Capital used two methods: (i) capitalization into perpetuity of the unlevered after-tax free cash flow in the final year of the forecast period and (ii) the application of EBITDA multiples to the EBITDA in the final year of the forecast period.

Scotia Capital valued the Out-of-Franchise business using the following two primary methodologies: (i) precedent transactions analysis; and (ii) a discounted cash flow analysis. Scotia Capital also reviewed publicly traded comparable companies analysis but did not consider this approach to be determinative in valuing the Out-of-Franchise business given the limited number of comparable publicly-traded companies and absence of “en bloc” valuation metrics. The precedent transactions analysis focussed on the price paid in precedent transactions for fibre assets and equipment comparable to the Company’s fibre assets and equipment. The DCF analysis was prepared by Scotia Capital following detailed discussions with management of the Company regarding its outlook and strategies for exploiting new geographic opportunities as well as an extensive review of the business plans prepared on this subject. The analysis employed a ten-year financial forecast of unlevered after-tax cash flows and a valuation assessment that employed terminal value calculations relying principally on the capitalization into perpetuity of terminal year cash flows and a discount rate of 13.75% to 15.75%.

Scotia Capital valued the Dot.Com line of business of the Company using the following three primary methodologies: (i) publicly-traded comparable companies analysis; (ii) precedent transaction analysis and (iii) values implied by recent acquisition costs. Scotia Capital reviewed selected publicly-traded companies considered comparable and derived implicit multiples based on their current market values. Multiples reviewed included enterprise value to 1999 and forecast 2000 revenue and enterprise value to 1999 and forecast 2000 EBITDA. Scotia Capital then selected appropriate ranges of such multiples and derived implicit values for each of the subsidiaries that comprise Dot.Com. Scotia Capital also reviewed precedent transaction analysis in order to assess the reasonableness of the enterprise values implied by the publicly-traded comparable companies analysis. A review of the values implied by acquisition costs of the Company for such businesses was also employed as a check for reasonableness.

Scotia Capital valued the Cable business of the Company using the following two primary methodologies: (i) publicly-traded comparable companies analysis; and (ii) precedent transaction analysis. Scotia Capital’s assessment of the Cable business reflected that the Company’s served territory is in less prosperous and more rural areas than many of publicly-traded comparables and precedent transaction companies.

Scotia Capital valued the Company’s Electronic Business Solutions business using three primary methodologies: (i) publicly-traded comparable companies analysis; (ii) precedent transaction analysis and (iii) values implied by recent acquisition costs.

In developing the Valuation, Scotia Capital also considered other additions to or deductions from value related to, among other things, municipal tax refunds, proceeds from disposition of non-core investments, potential litigation and environmental liabilities.

Acquisition Synergies

Scotia Capital considered benefits that a prospective purchaser might realize from the acquisition of 100% of the Common Shares including, but not limited to, benefits arising from (i) revenue enhancement, (ii) cost savings, and (iii) capital expenditure reductions. For the purposes of the Valuation, Scotia Capital estimated the portion of such synergies that a purchaser might pay for if an open auction of the Company were undertaken. Scotia Capital estimated this amount by reviewing with management of the Company the potential purchasers of the Company (assuming an

open auction environment) and their respective abilities to realize synergies. Following such review, Scotia Capital concluded that Bell Canada, or one of its affiliates or related parties (collectively, “Bell”), would be in a position to realize the greatest synergies from an acquisition of the Company. To estimate the amount of synergies that Bell might pay for in an open auction environment, Scotia Capital considered the synergies that could be realized by the next most logical purchaser. Scotia Capital also considered the incremental value related to the Out-of-Franchise business that a purchaser may be in a position to realize by the removal of regulatory restriction that currently obstruct the Company’s potential outside of its traditional service territory. In determining the amount of synergies to be included, Scotia Capital employed two separate DCF analyses. First, Scotia Capital applied a DCF analysis utilizing similar assumptions to those utilized in developing the value of Telecommunications to value synergies related to cost reductions. Second, Scotia Capital considered the incremental value that a Canadian purchaser might be in a position to realize in connection with expansion opportunities enhanced by the removal of regulatory constraints on expansions outside of QuebecTel’s traditional service territory and valued this amount using similar DCF assumptions employed to value the Out-of-Franchise business of the Company.

Distinctive Material Value Accruing from the Amalgamation

In accordance with Policy 9.1 and Policy Q-27, Scotia Capital considered whether any distinctive material value would accrue to TELUS as a result of successfully completing the Amalgamation. Following its review, Scotia Capital concluded that no such value that is not already appropriately reflected in the Valuation would accrue to TELUS.

Valuation Conclusion

Based on the foregoing analyses, Scotia Capital’s selected enterprise value range for each of the Company’s five core lines of business and for other assets and liabilities of the Company and the range of fair market values of the Common Shares are as follows:

	Value Range (\$ millions)		Per Common Share (fully diluted)	
	Low	High	Low	High
Telecommunications	\$ 762.0	\$ 831.4	\$20.41	\$22.27
Out-of-Franchise	\$ 75.0	\$ 100.0	\$ 2.01	\$ 2.68
Dot.Com	\$ 18.6	\$ 29.6	\$ 0.50	\$ 0.79
Cable	\$ 3.0	\$ 5.5	\$ 0.08	\$ 0.15
Electronic Business Solutions	\$ 11.8	\$ 18.8	\$ 0.32	\$ 0.50
Other	\$ 7.1	\$ 8.1	\$ 0.19	\$ 0.22
	\$ 877.5	\$ 993.4	\$23.50	\$26.61
Less: Consolidated Net Debt (1)	(\$160.3)	(\$160.3)	(\$4.29)	(\$4.29)
“Stand-alone” Net Asset Value	\$ 717.2	\$ 833.1	\$19.21	\$22.31
Synergies	\$ 66.1	\$ 111.1	\$ 1.77	\$ 2.97
“En Bloc” Net Asset Value	\$ 783.3	\$ 944.3	\$20.98	\$25.29

(1) Including proceeds of \$21.0 million from exercise of options.

Based upon and subject to the analyses and assumptions set out above, Scotia Capital is of the opinion that the fair market value of the Common Shares as of the date of the Valuation is in the range of \$21.00 to \$25.25 per Common Share.

FAIRNESS OPINION

CIBC World Markets was retained by the Independent Committee on July 13, 1999 to act as its financial advisor. The mandate of CIBC World Markets was expanded on August 23, 1999. CIBC World Markets’ duties included the preparation and delivery of the Fairness Opinion to the Independent Committee as to the fairness, from a financial point of view, of the consideration to be received by the Minority Shareholders pursuant to the Amalgamation.

In determining the fairness of the Amalgamation from a financial point of view to the Minority Shareholders, CIBC World Markets conducted certain analyses and reviewed the business, operations and financial condition of QuébecTel and employed or reviewed several analytical methodologies. In preparing the Fairness Opinion, CIBC World Markets relied upon the accuracy, completeness and fair presentation of all financial and other information, data,

advice, opinions and representations obtained by it from public sources or otherwise made available to it, discussed with or reviewed by or for it.

On March 30, 2000, CIBC World Markets delivered its Fairness Opinion. Based on its analysis, CIBC World Markets concluded that the consideration to be received by the Minority Shareholders pursuant to the Amalgamation was, at the date of delivery of the Fairness Opinion, fair from a financial point of view. A copy of the Fairness Opinion is attached as Schedule C to this Management Proxy Circular. **Shareholders are urged to read the Fairness Opinion carefully and in its entirety.**

CIBC World Markets is one of Canada's largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. CIBC World Markets provides services to companies in the telecommunications sector directly through its research analysts and through investment banking professionals. CIBC World Markets has participated in a sizeable number of transactions involving companies in the telecommunications sector and has extensive experience in preparing fairness opinions.

PRIOR VALUATION

The directors and senior officers of the Company are not aware of any "prior valuations" of QuébecTel as defined under Policy 9.1 and Policy Q-27 prepared within the last 24 months.

RECOMMENDATION OF THE INDEPENDENT COMMITTEE AND THE BOARD OF DIRECTORS

Independent Committee

At its meeting held on March 29, 2000, the Independent Committee unanimously determined: (a) that the financial aspect of the proposed Amalgamation is fair to the Minority Shareholders; and (b) to recommend to the Board that it recommend that the Shareholders accept the offer of TELUS at a price of \$23.00 per Common Share.

In determining that the financial aspect of the proposed Amalgamation is fair to the Minority Shareholders and in determining to recommend to the Board that it recommend that the Shareholders accept the offer of TELUS at a price of \$23.00 per Common Share, the Independent Committee considered factors, which, in the Independent Committee's view, supported its determinations. The material supporting factors considered were:

- (i) the Valuation establishing a range of values for the Common Shares between \$21.00 and \$25.25;
- (ii) the Fairness Opinion to the effect that the consideration to be received for the Common Shares pursuant to the Amalgamation is fair, from a financial point of view, to the Minority Shareholders;
- (iii) the limited opportunities for the Minority Shareholders to realize on their investment, other than through sales on the TSE, in light of (a) the controlling share ownership position of GTE and its affiliates, (b) the understanding of the Independent Committee that GTE would not sell all of its interest in QuébecTel given GTE's strategic objectives, and (c) the fact that QuébecTel had not received any other offers to be acquired;
- (iv) the price of \$23.00 per Common Share provides Minority Shareholders with the opportunity to fully liquidate their investment for cash at a price which is above the all-time high price at which the Common Shares have traded and which provides them with a substantial premium of 25.0% over the one-month closing price, and 64.3% over the two-month closing price, of the Common Shares prior to the announcement of the proposed Amalgamation. The price also represents a 11.4% premium over the one-day closing price of the Common Shares. The price of the Common Shares increased significantly in the weeks preceding the announcement of the proposed Amalgamation, possibly due, at least in part, to speculation regarding a potential transaction; and
- (v) the transaction must be approved by the Minority Shareholders in order to be effective.

In view of the number and variety of factors that it considered in its evaluation of the proposed Amalgamation, the Independent Committee did not find it practicable to assign relative weights to the foregoing factors; accordingly, the Independent Committee did not do so.

In determining to recommend to the Board that it recommend that Shareholders accept the offer of TELUS at \$23.00 per Common Share and in determining that the financial aspect of the proposed Amalgamation is fair to the

Minority Shareholders, the Independent Committee also considered factors which did not affect its conclusion. These factors are:

- (i) following the Amalgamation, Minority Shareholders will cease to participate in future earnings or growth, if any, of Amalco or benefit from increases, if any, in the value of Amalco; and
- (ii) Minority Shareholders will recognize a taxable event upon the completion of the Amalgamation.

The Independent Committee consulted with Scotia Capital during the course of Scotia Capital's work in connection with its Valuation of the Common Shares as well as CIBC World Markets in connection with the fairness, from a financial point of view, of the proposed Amalgamation. Although Scotia Capital and CIBC World Markets provided advice to the Independent Committee, the decision to approve the financial aspect of the proposed Amalgamation for submission to the Shareholders was solely that of the Independent Committee and the Board.

The Independent Committee believes that the proposed price of \$23.00 per Common Share is fair to the Minority Shareholders because: (a) the Independent Committee consisted of independent directors appointed to represent the interests of, and to negotiate on an arm's length basis with TELUS and GTE on behalf of the Minority Shareholders; (b) the Independent Committee retained and was advised by outside legal counsel; (c) the Independent Committee retained and was advised by CIBC World Markets and Scotia Capital, as financial advisors, in connection with their evaluation of the proposed Amalgamation; and (d) the price of \$23.00 per Common Share payable in cash resulted from active arm's length negotiations between the Independent Committee and TELUS.

Board of Directors

The Board, at its meeting on March 31, 2000, after due consideration of the unanimous recommendations of the Independent Committee, of the factors (enumerated above) considered by the Independent Committee as well as the factors set forth under "The Amalgamation — Conduct of the Business of QuébecTel if the Amalgamation is not Consummated" and the terms and conditions of the proposed Amalgamation as set forth in the Merger Agreement, (a) determined to support the proposed Amalgamation and (b) approved the proposed Amalgamation for submission to the Shareholders and the entering into of the Merger Agreement. **In addition, subject to the abstentions from voting of Messrs. Alfred C. Giammarino and Larry J. Sparrow due to their relationships with Anglo-Canadian and GTE (described immediately below), the Board unanimously recommended that the Shareholders vote FOR By-law 2000-1 approving the Amalgamation Agreement. However, notwithstanding such abstentions, each of the above-named directors concurred with the resolution of the Board and also recommended that Shareholders vote FOR By-law 2000-1 approving the Amalgamation Agreement.**

Mr. Alfred C. Giammarino is Senior Vice President Finance, Planning and Business Development of GTE Service Corporation, a subsidiary of GTE and Mr. Larry J. Sparrow is President — Wholesale Markets of GTE Network Services Corporation, a subsidiary of GTE.

CONDUCT OF THE BUSINESS OF QUÉBECTEL IF THE AMALGAMATION IS NOT CONSUMMATED

If the Amalgamation is not consummated, the business and operations of QuébecTel are expected to continue to be conducted substantially as currently conducted. QuébecTel anticipates that Anglo-Canadian would continue to be a major Shareholder and continue to have representation on the Board.

Given (a) the introduction of competition in QuébecTel's franchise territory, (b) the inability of QuébecTel, in its current form, to expand beyond its territory to gain market share for as long as foreign ownership constraints remain in place, (c) the rapid consolidation and convergence in the telecommunications industry which are creating bigger and stronger competitors, and (d) the extensive but unsuccessful efforts made by QuébecTel to date to find alternative solutions to permit out-of-franchise expansion, QuébecTel believes that there is uncertainty in the future of the Company and risk to the Shareholders in not approving the Amalgamation and maintaining the status quo.

CONSEQUENCES TO MINORITY SHAREHOLDERS

QuébecTel believes that the Amalgamation will result in the following benefit to the Minority Shareholders: realization of the value of their investment in the Company in cash at a price which is higher than the highest historical trading price of the Common Shares and which represents a substantial premium over the market price of the Common Shares prior to the public announcement of the proposed Amalgamation rather than risking a decline in the value of their investment in the Company.

Given the uncertainty in the future of the Company for the reasons set out in “The Amalgamation — Conduct of the Business of QuébecTel if the Amalgamation is not Consummated” and notwithstanding that under the terms of the proposed Amalgamation, the Minority Shareholders (a) will not have the opportunity to participate in potential future earnings or growth of the Company, nor benefit from potential increases in the value of the Company, and (b) will recognize a taxable event, QuébecTel believes that the benefits of the Amalgamation outweigh these factors, and supports the proposed transactions.

PLANS FOR AMALCO AFTER THE AMALGAMATION

TELUS does not have, as of the date of this Management Proxy Circular, any specific plans or proposals for any extraordinary corporate transaction involving Amalco after the completion of the Amalgamation or the sale or transfer of a material amount of assets currently held by the Company after the completion of the Amalgamation. QuébecTel has been advised by TELUS that TELUS currently does not have any plans to make a material change to the senior management of QuébecTel.

TELUS intends that Amalco play a meaningful part in the development and execution of TELUS’ expansion strategy within the province of Quebec. TELUS plans to make use of (a) the knowledge and experience of QuébecTel management and employees with respect to the Quebec market, (b) the infrastructure in and around key centres in Quebec such as Montreal and Quebec City, and operations which are positioned to offer local services in these markets, and also to leverage QuébecTel’s Internet and systems integration offerings, and (c) the existing operations in the franchise territory.

MERGER AGREEMENT

The Company, TELUS and Anglo-Canadian entered into the Merger Agreement which contains the principal terms and conditions of the transaction. The material terms of the Merger Agreement can be summarized as follows:

Terms of the Amalgamation

The Merger Agreement contemplates a series of steps, including the conversion of all Common Shares held by Minority Shareholders into Amalco Redeemable Preferred Shares, following which Minority Shareholders will receive \$23.00 in cash per Amalco Redeemable Preferred Shares on the Redemption Date and TELUS and Anglo-Canadian will beneficially own respectively approximately 70% and 30% of the issued and outstanding common shares of Amalco. Such steps may be summarized as follows:

- (i) Anglo-Canadian will incorporate MergerSub under Part IA of the QCA; and
- (ii) Anglo-Canadian will transfer all of its Common Shares in the Company to MergerSub in exchange for common shares of MergerSub and engage in certain internal restructuring transactions involving MergerSub.

If all of the conditions set forth in the Merger Agreement are satisfied, including the approval of the Shareholders and Minority Shareholders at the Meeting, on the Effective Date, the following actions will occur.

- (iii) TELUS will subscribe for approximately 17,874,925 common shares of MergerSub for an aggregate cash consideration of approximately \$411,123,275 (or \$23.00 per share).
- (iv) MergerSub and the Company will amalgamate pursuant to the terms of the Amalgamation Agreement to form Amalco. Under the terms of the Amalgamation Agreement:
 - (a) upon the amalgamation, each Common Share of the Company held by a Shareholder (other than MergerSub) will be converted into one fully paid and non-assessable Amalco Redeemable Preferred Share;
 - (b) upon the amalgamation, all of the Common Shares of the Company held by MergerSub will be cancelled, without any repayment of capital in respect thereof; and
 - (c) upon the amalgamation, each Common Share of MergerSub held by Anglo-Canadian and TELUS will be converted into one fully paid and non-assessable Amalco Common Share;

such that all of the issued and outstanding Amalco Common Shares will be held by Anglo-Canadian and TELUS, and all of the issued and outstanding Amalco Redeemable Preferred Shares will be held by the Shareholders of the Company, other than Anglo-Canadian.

- (v) Amalco will redeem for cancellation all of its issued and outstanding Amalco Redeemable Preferred Shares at a cash Redemption Amount of \$23.00 per share within three (3) Business Days following the Effective Date.
- (vi) On the Effective Date or shortly thereafter, TELUS will purchase from Anglo-Canadian 20% of the issued and outstanding Amalco Common Shares (approximately 7,198,947) for an aggregate cash consideration of approximately \$165,575,781 (or \$23.00 per share).

The share provisions attaching to each of the Amalco Redeemable Preferred Shares will require Amalco to redeem all of such shares at \$23.00 per share as part of the Amalgamation within three (3) Business Days following the Effective Date.

Pursuant to the Amalgamation, each Shareholder other than Anglo-Canadian and TELUS will receive on the redemption of the Amalco Redeemable Preferred Shares \$23.00 per share in cash. Amalco will pay an aggregate of approximately \$411,123,275 to effect this redemption.

Following the Amalgamation, Shareholders other than Anglo-Canadian and TELUS will cease to have any ownership in Amalco and will cease to participate in future earnings and growth, if any, of Amalco or benefit from any increases, if any, in the value of Amalco.

See ‘‘The Amalgamation — Amalgamation Agreement’’.

Merger Agreement

(i) Support of Proposal to Amalgamate

Unless terminated in accordance with the provisions of the Merger Agreement, QuébecTel, TELUS and Anglo-Canadian (in its capacity as a shareholder of QuébecTel) have agreed to take all actions necessary or advisable to permit the completion of the Amalgamation and Amalco Transaction Agreements and to co-operate with each other in connection therewith. In addition, the Company has agreed to recommend, through its Board of Directors, that the Shareholders vote all of their Common Shares in favour of the confirmation of By-law 2000-1 approving the Amalgamation Agreement. Subject to the terms and conditions of the Merger Agreement, Anglo-Canadian has agreed to cause its subsidiaries and affiliates (including MergerSub) to vote all their Common Shares to confirm By-law 2000-1 approving the Amalgamation Agreement.

(ii) Operation of Business

Until the Effective Date, the Company has agreed with TELUS and Anglo-Canadian that the Company will, and will cause each of its subsidiaries, to carry on its business in the usual, regular and ordinary course (in substantially the same manner as heretofore conducted) and to the extent consistent with such business, use its best efforts consistent with past practices and policies to preserve intact the Company’s and its subsidiaries’ present business, organization, employees, customers, suppliers and goodwill, all with the purpose and goal of preserving the Company’s and its subsidiaries’ goodwill and ongoing business on the Effective Date.

(iii) Mutual Conditions Precedent

The respective obligations of each party to complete the Amalgamation and Amalco Transaction Agreements will be subject to the fulfilment or mutual waiver by the Company, TELUS and Anglo-Canadian on or before the Effective Date, of each of the following conditions:

- (a) the Shareholders of the Company will have given any approvals necessary to permit the consummation of the Amalgamation;
- (b) all other consents, waivers, permits, orders and approvals required to permit the consummation of the Amalgamation, the failure to obtain which would have a material adverse effect on the business, assets, financial condition or results of operations of the Company on a consolidated basis will have been obtained; and
- (c) the Merger Agreement will not have been terminated pursuant to the provisions thereof.

(iv) **Additional Conditions Precedent to the Obligations of the Company**

The obligations of the Company to complete the Amalgamation and Amalco Transaction Agreements and to file the Articles of Amalgamation will also be subject to the fulfilment, or waiver by the Company, on or before the Effective Date, of each of the following additional conditions:

- (a) each of TELUS and Anglo-Canadian will have performed each obligation to be performed by it under the Merger Agreement in favour of the Company on or prior to the Effective Date; and
- (b) the representations and warranties of each of TELUS and Anglo-Canadian set out in the Merger Agreement will be true and correct on and as of the Effective Date as if made on and as of such date, except as affected by transactions contemplated or permitted by the Merger Agreement, and except for any failures or breaches of representations or warranties that would not have a material adverse effect on the consummation of the Amalgamation.

(v) **Additional Conditions Precedent to the Obligations of TELUS and Anglo-Canadian**

The obligations of TELUS and Anglo-Canadian to complete the Amalgamation and Amalco Transaction Agreements will also be subject to the fulfilment or waiver by TELUS and Anglo-Canadian, on or before the Effective Date, of each of the following additional conditions:

- (a) the Company will have performed each obligation to be performed by it under the Merger Agreement in favour of TELUS on or prior to the Effective Date, if the failure to perform such covenant or obligation would have a material adverse effect on the business, assets, financial condition or results of operations of the Company and its subsidiaries, taken as a whole; and
- (b) the representations and warranties of the Company set out in the Merger Agreement will be true and correct on and as of the Effective Date as if made on and as of such date, except as affected by transactions contemplated or permitted by the Merger Agreement, and except for any failures or breaches of representations or warranties which would not have a material adverse effect on the business, assets, financial condition or results of operations of the Company and its subsidiaries, taken as a whole.

(vi) **Additional Conditions Precedent to the Obligations of TELUS**

The obligations of TELUS to complete the Amalgamation and Amalco Transaction Agreements will also be subject to the fulfilment, or waiver by TELUS, on or before the Effective Date, of each of the following additional conditions:

- (a) Anglo-Canadian will have performed each obligation to be performed by it under the Merger Agreement in favour of TELUS on or prior to the Effective Date and will have executed the Amalco Transaction Agreements;
- (b) the representations and warranties of Anglo-Canadian set out in the Merger Agreement will be true and correct on and as of the Effective Date as if made on and as of such date, except as affected by transactions contemplated or permitted by the Merger Agreement and except for any failures or breaches of representations or warranties that would not have a material adverse effect on the consummation of the Amalgamation and Amalco Transaction Agreements;
- (c) up to and including the Effective Date, there will have been no material adverse change in the business, operations or assets of the Company and its subsidiaries, taken as a whole, nor will any change of law have occurred which, in the reasonable judgment of TELUS has or would have a material adverse effect on the business, assets, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, or of Amalco, other than any change, event, occurrence or development relating to the Canadian economy, political condition or securities markets in general, or affecting the Canadian telecommunications industry in general and which does not have a materially disproportionate impact on the Company and its subsidiaries, taken as a whole;
- (d) none of the licences, consents, approvals, authorizations and orders of governmental or regulatory authorities required to permit the consummation of the Amalgamation and Amalco Transaction Agreements will contain terms and conditions or require undertakings deemed burdensome to the Company or TELUS, as determined by TELUS, acting reasonably; and

- (e) up to and including the Effective Date, there will have been no change in, or amendment to, or introduction of, (including any announcement thereof) any statute, law, regulation, official directive, rule or order (or in the interpretation or application thereof) of any government or governmental agency in Canada or any action by any government or governmental agency in Canada that would impose any condition or restriction on Amalco or its subsidiaries (after giving effect to the Amalgamation and Amalco Transaction Agreements) which would materially adversely impact the economic or business benefits of the Amalgamation and Amalco Transaction Agreements, as to render inadvisable the consummation of the Amalgamation and Amalco Transaction Agreements, in the opinion of TELUS, acting reasonably.

(vii) Additional Conditions Precedent to the Obligations of Anglo-Canadian

The obligations of Anglo-Canadian to complete the Amalgamation and Amalco Transaction Agreements will also be subject to the fulfilment, or waiver by Anglo-Canadian, on or before the Effective Date, of each of the following additional conditions:

- (a) TELUS will have performed each obligation to be performed by it under the Merger Agreement in favour of Anglo-Canadian on or prior to the Effective Date and will have executed the Amalco Transaction Agreements;
- (b) the representations and warranties of TELUS set out in the Merger Agreement will be true and correct on and as of the Effective Date as if made on and as of such date, except as affected by transactions contemplated or permitted by the Merger Agreement and except for any failures or breaches of representations or warranties that would not have a material adverse effect on the consummation of the Amalgamation and Amalco Transaction Agreements; and
- (c) none of the licences, consents, approvals, authorizations and orders of governmental or regulatory authorities required to permit the consummation of the Amalgamation and Amalco Transaction Agreements will contain terms and conditions or require undertakings deemed burdensome to Anglo-Canadian, as determined by Anglo-Canadian, acting reasonably.

(viii) Termination Payment

If (i) the Board of Directors of the Company fails to recommend to the Shareholders that they vote their Common Shares in favour of the Amalgamation; or (ii) having made the recommendation referred to in (i), the Board of Directors subsequently modifies (in a manner adverse to TELUS) or withdraws its recommendation that the Shareholders vote in favour of the Amalgamation or fails to reconfirm such recommendation after a request to do so by TELUS; or (iii) the Company has notified TELUS of a Competing Transaction and TELUS does not increase the Redemption Amount for the Amalco Redeemable Preferred Shares, to a redemption amount having a value equivalent to or greater than the value per Common Share under the Competing Transaction (including the purchase and subscription prices for common shares of MergerSub and Amalco Common Shares pursuant to steps (iii) and (vi) set forth in “Merger Agreement — Terms of the Amalgamation”), within three (3) Business Days; or (iv) at any time during the period from March 30, 2000 to the date which is 90 days following the termination of the Merger Agreement (other than by reason of the occurrence of any events described in paragraphs (iii)(a), (iii)(b), (iv), (vi)(e) or (ix)(a) hereto), any person (other than TELUS or its affiliates) acquires more than 20% of the total outstanding Common Shares with the solicitation, assistance, encouragement or co-operation of the Company; then, in any such event, the Company will forthwith pay to TELUS, in cash, a termination fee of \$23 million and upon receipt of such termination fee by TELUS, the Merger Agreement will be terminated.

(ix) Termination

Subject to the termination and postponement provisions relating to Competing Transactions and the notice provisions of the Merger Agreement, the Merger Agreement may be terminated:

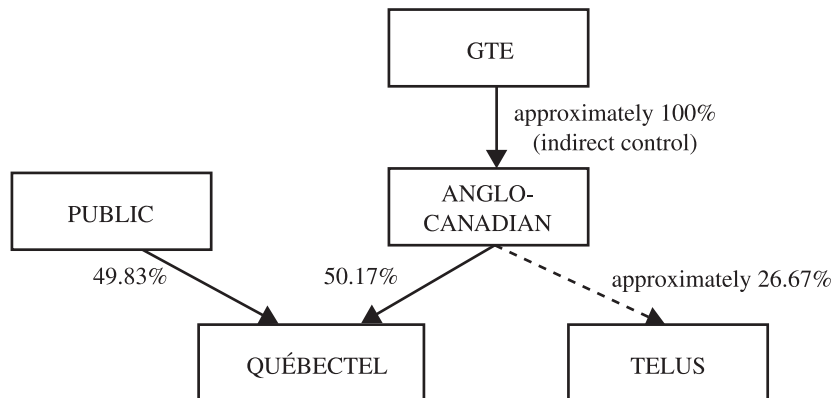
- (a) by agreement in writing executed by the Company, TELUS and Anglo-Canadian;
- (b) by the Company at any time on or after the Termination Date if, by that date, the conditions set forth in paragraphs (iii) and (iv) have not been satisfied or waived in accordance with such paragraphs;
- (c) by TELUS or Anglo-Canadian, at any time on or after the Termination Date if, by that date, the conditions set forth in paragraphs (iii) and (v) have not been satisfied or waived in accordance with such paragraphs;

- (d) by TELUS, at any time on or after the Termination Date if, by that date, the conditions set forth in paragraph (vi) have not been satisfied or waived in accordance with such paragraph or, if there will have been any statute, rule, regulation, injunction, cease trading or similar order enacted or promulgated by any government or governmental agency or court that, in the reasonable judgement of TELUS has or would have a material adverse effect on the business, assets, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, other than any change, event, occurrence or development relating to the Canadian economy, political conditions or securities markets in general, or affecting the Canadian telecommunications industry in general and which does not have a materially disproportionate impact on the Company and its subsidiaries, taken as a whole;
- (e) by Anglo-Canadian, at any time on or after the Termination Date if, by that date, the conditions set forth in paragraph (vii) have not been satisfied or waived in accordance with such paragraph; and
- (f) by the Company, TELUS or Anglo-Canadian, as the case may be, if there will have been any statute, rule, regulation, injunction, cease trading or similar order enacted or promulgated or any other action by any government or governmental agency or court that, in the reasonable judgement of TELUS, the Company and Anglo-Canadian, will (i) restrain, enjoin, prohibit or render the parties unable to consummate the Amalgamation, or (ii) make such consummation illegal; provided, however, that each of the parties will use its reasonable efforts to have any such injunction or order vacated.

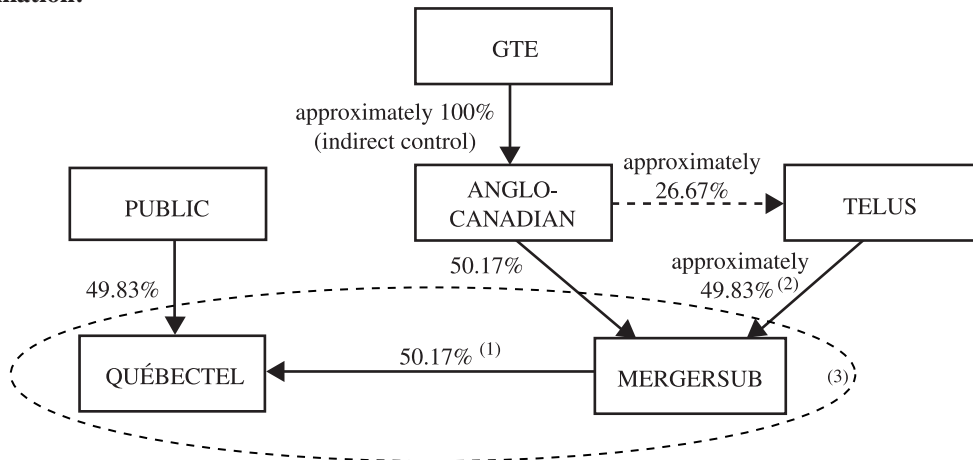
CORPORATE CHARTS

The following charts show basic share ownership information among the principal corporate entities which will take part in the Amalgamation as at the date hereof, on pre-amalgamation, after the amalgamation (before redemption of the Amalco Redeemable Preferred Shares) and after the redemption of the Amalco Redeemable Preferred Shares.

Current Situation:

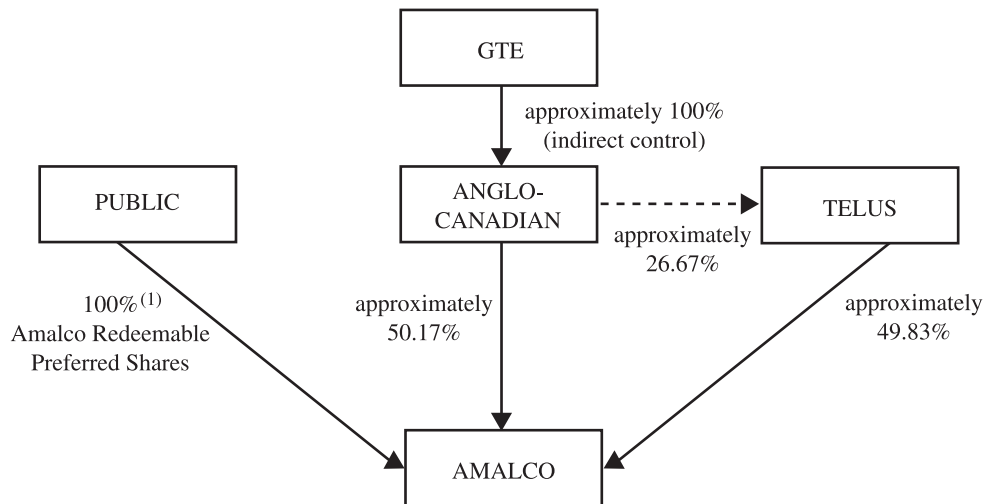


Pre-Amalgamation:



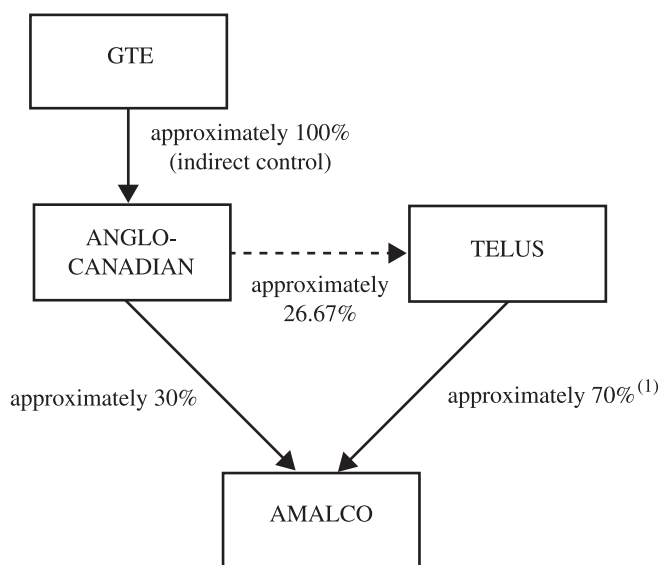
- (1) Transfer of Common Shares to MergerSub in exchange for common shares of MergerSub.
- (2) Subscription by TELUS to approximately 17,874,925 common shares of MergerSub.
- (3) Entities that will amalgamate.

After the Amalgamation and before Redemption of the Amalco Redeemable Preferred Shares:



- (1) As a result of Common Shares being converted into Amalco Redeemable Preferred Shares.

After the Redemption of the Amalco Redeemable Preferred Shares:



(1) TELUS purchases from Anglo-Canadian 20% of the issued and outstanding Amalco Common Shares.

AMALGAMATION AGREEMENT

The amalgamation of QuébecTel and MergerSub is to be carried out pursuant to Part IA of the QCA and, subject to obtaining confirmation by the Shareholders of By-Law 2000-1 approving the Amalgamation Agreement and the filing of Articles of Amalgamation, will become effective on the Effective Date. The Effective Date of such amalgamation is expected to be June 1, 2000. The Amalgamation Agreement provides, among other things, that on the Effective Date:

- (a) the name of the company resulting from the amalgamation will be “The QuébecTel Group Inc.” and its head office will be located in Rimouski, Quebec;
- (b) each Common Share of the Company held by a Shareholder (other than MergerSub) will be converted into one fully paid and non-assessable Amalco Redeemable Preferred Share;
- (c) all of the Common Shares of the Company held by MergerSub will be cancelled, without any repayment of capital in respect thereof;
- (d) each common share of MergerSub held by Anglo-Canadian and TELUS will be converted into one fully paid and non-assessable Amalco Common Share; and
- (e) all of the Amalco Redeemable Preferred Shares will be redeemed within three (3) Business Days following the Effective Date at a Redemption Amount of \$23.00 per share payable in cash such that, after the amalgamation and completion of the transactions set forth in the Amalco Transaction Agreements, TELUS and Anglo-Canadian will beneficially own approximately 70% and 30% of the issued and outstanding Amalco common shares, respectively.

The share provisions attaching to each of the Amalco Redeemable Preferred Shares will require Amalco to redeem all of such shares at \$23.00 per share as part of the Amalgamation, within three (3) Business Days following the Effective Date.

Pursuant to the Amalgamation, each Shareholder other than Anglo-Canadian and TELUS will receive \$23.00 per share in cash on the redemption of the Amalco Redeemable Preferred Shares. Amalco will pay an aggregate of approximately \$411,123,275 to effect this redemption.

Following the Amalgamation, Shareholders other than Anglo-Canadian and TELUS will cease to have any ownership in Amalco and will cease to participate in future earnings and growth, if any, of Amalco or benefit from any increases, if any, in the value of Amalco.

The Amalgamation, which will be carried out pursuant to Chapter XVII of the QCA, will be effected in accordance with the Amalgamation Agreement, a copy of which is attached hereto as Schedule A.

VOTES REQUIRED FOR THE AMALGAMATION

The Amalgamation is a “going private transaction” for the purposes of Policy 9.1, Rule 61-501 and Policy Q-27.

Prior to the introduction on May 1, 2000 of Rule 61-501 (which modifies Policy 9.1), a “going private transaction” required minority approval at the level of 66²/₃% if the cash consideration to be received in a transaction was less than the mid point of the range of values arrived at by the formal valuation. As a result of the introduction of Rule 61-501, the required level of minority approval in a “going private transaction” is reduced to the level of 50% in all cases. Given the application of the new Ontario rule and the commitment of the *Commission des valeurs mobilières du Québec* to harmonize Policy Q-27 with Rule 61-501, the Company has applied for and obtained from the *Commission des valeurs mobilières du Québec* an exemption from the requirement to obtain minority approval at the level of 66 2/3%.

As a result, By-law 2000-1 must be confirmed by at least two-thirds of the votes cast by the Shareholders present in person or represented by proxy at the Meeting, as well as by at least a majority of the votes cast by the Minority Shareholders present in person or represented by proxy at the Meeting. To the best of the knowledge of the Company, the aggregate number of Common Shares held by Shareholders who are not Minority Shareholders is 17,997,368. Pursuant to Rule 61-501 and Policy Q-27, these Common Shares will be excluded for the purposes of determining whether By-law 2000-1 is confirmed by at least the majority of the votes cast by the Minority Shareholders present or represented at the Meeting.

Subject to the terms and conditions of the Merger Agreement, Anglo-Canadian, which holds, directly, approximately 50.17% of the issued and outstanding Common Shares, has agreed to cause its subsidiaries and affiliates (including MergerSub) to vote all their Common Shares to confirm By-law 2000-1 approving the Amalgamation Agreement.

In addition, all members of the Board and all senior officers of QuébecTel and their associates have indicated their intention to vote all the Common Shares held by them to confirm By-law 2000-1 approving the Amalgamation Agreement.

Unless otherwise indicated, proxies in the enclosed form will be voted FOR the confirmation of By-law 2000-1 on any ballot requested or required by law.

NO DISSENTING SHAREHOLDERS' RIGHTS

Shareholders of companies incorporated under the QCA do not have a “right of dissent” with respect to amalgamations. A “right of dissent” may generally be described as a specified statutory provision which provides a shareholder opposing a material change to the corporate structure of a company or its share capital which has otherwise been approved by the shareholders in accordance with applicable law, the right to be paid the fair value for his shares or to ask a competent tribunal to determine this fair value.

The Amalgamation is a “going-private transaction” for the purposes of Policy 9.1, Rule 61-501 and Policy Q-27. These policies establish rules which are designed to ensure that transactions, such as the proposed Amalgamation, are both substantively and procedurally fair to minority shareholders. These rules require that the Amalgamation be approved by the Minority Shareholders at the Meeting. See “The Amalgamation — Votes required for the Amalgamation”.

Canadian courts have, in a few instances prior to the adoption of Policy 9.1 and Policy Q-27, granted preliminary injunctions to prohibit transactions involving certain going private transactions. However, because of the introduction of Policy 9.1 and Policy Q-27 and the taking of measures suggested in these policies to ensure fairness to the Minority Shareholders, such cases may be of limited relevance to the Amalgamation. The current trend in both legislation and Canadian jurisprudence is toward permitting going private transactions to proceed subject to compliance with procedural and substantive fairness to minority shareholders.

REGULATORY APPROVALS

The Amalgamation, together with the related transactions described in this Circular, is a “notifiable transaction” pursuant to and for the purposes of Part IX of the *Competition Act* (Canada). On April 13, 2000 both QuébecTel and

TELUS completed their respective submissions of the short form pre-merger notification filing to the Competition Commissioner in respect of the Amalgamation and related transactions. QuébecTel and TELUS also jointly filed on April 13, 2000 a further detailed competition analysis of the Amalgamation and related transactions with the Competition Commissioner and asked the Competition Commissioner for a “no-action” letter in respect of the Amalgamation and related transactions.

The applicable waiting period under Part IX of the *Competition Act* expired on April 27, 2000. On April 19, 2000, the Competition Commissioner issued a “no-action” letter advising that the Competition Commissioner will not oppose completion of the Amalgamation and related transactions and will not make an application under the *Competition Act* in respect of the completion of the Amalgamation and related transactions. Pursuant to the provisions of the *Competition Act*, the Competition Commissioner may nevertheless make an application to the Competition Tribunal within three (3) years of the substantial completion of the transaction.

There are no other material regulatory approvals required in connection with the Amalgamation and related transactions.

IMPLEMENTATION OF THE AMALGAMATION

If the required Shareholder approval is obtained at the Meeting, it is intended that Articles of Amalgamation will be filed with the Inspector General of Financial Institutions under Part IA of the QCA on the date of the Meeting. The QCA provides that, upon receipt of such Articles of Amalgamation, the Inspector General of Financial Institutions shall issue a Certificate of Amalgamation and that the Amalgamation becomes effective on the date shown on such Certificate of Amalgamation. It is anticipated that the Effective Date will be June 1, 2000.

REDEMPTION

Immediately after the amalgamation, on the Redemption Date and pursuant to the provisions attaching to each of the Amalco Redeemable Preferred Shares, Amalco will redeem all the outstanding Amalco Redeemable Preferred Shares at a Redemption Amount of \$23.00 per share. Amalco will pay an aggregate of approximately \$411,123,275 in the Amalgamation. No share certificates representing Amalco Redeemable Preferred Shares will be issued to Shareholders upon completion of the amalgamation.

Shareholders will, upon the redemption of such Amalco Redeemable Preferred Shares, cease to be shareholders of Amalco and will be entitled only to receive a cheque representing the Redemption Amount following the delivery and surrender by such Shareholders to the Depository of properly completed Letters of Transmittal together with share certificates representing all of the Common Shares held by such Shareholders. See “The Amalgamation — Procedure for the Surrender of Share Certificates and Payment”. No interest will be paid on any such redemption amounts.

On and after the redemption of any such Amalco Redeemable Preferred Shares, the holders thereof will not be entitled to exercise any of the rights of shareholders in respect thereof, other than the right to receive payment, without interest, of the Redemption Amount, unless payment of the aforesaid Redemption Amount has not been made in accordance with the provisions of the Amalgamation Agreement, in which case the rights of such shareholder will remain unaffected.

PROCEDURE FOR THE SURRENDER OF SHARE CERTIFICATES AND PAYMENT

The Letter of Transmittal enclosed with this Management Proxy Circular sets forth the details of the procedure for surrendering the certificates representing the Common Shares to the Depository and for obtaining payment of the Redemption Amount of the Amalco Redeemable Preferred Shares to be issued upon the conversion of the Common Shares. Shareholders who have not received a Letter of Transmittal should contact the Depository.

Shareholders who have delivered properly completed Letters of Transmittal, together with the share certificates representing their Common Shares, to the Depository prior to 4:45 p.m. on May 29, 2000 will be forwarded, within three (3) Business Days following the Effective Date, a cheque representing the Redemption Amount for each Amalco Redeemable Preferred Share.

The Depository will forward the Redemption Amount to Shareholders who have deposited their properly completed Letters of Transmittal, together with the share certificates representing their Common Shares, after 4:45 p.m. on May 29, 2000 within ten (10) days following receipt by the Depository of such letters of transmittal and share certificates.

Shareholders who do not deliver to the Depositary properly completed Letters of Transmittal, together with the share certificates representing their Common Shares, will not receive the consideration to which they are otherwise entitled until tender is made.

If the Articles of Amalgamation are not filed by the Termination Date, the Letters of Transmittal will be of no effect and the Depositary will return all deposited QuébecTel share certificates to the Shareholders forthwith.

Any use of the mail to transmit share certificates and Letters of Transmittal is at the risk of the Shareholder. If such documents are to be mailed, it is recommended that registered mail be used with acknowledgement of receipt requested.

Where a share certificate representing Common Shares has been lost, apparently destroyed or wrongfully taken, the holder of such certificate should immediately contact General Trust of Canada at either (514) 871-7171 (in the Montreal area) or 1-800-341-1419 (toll free) so that arrangements can be made to issue a replacement share certificate to such holder upon such holder satisfying such reasonable requirements as may be imposed by the Company in connection with the issuance of such replacement share certificate.

SOURCE OF FUNDS FOR PAYMENT OF THE REDEMPTION AMOUNT

TELUS estimates that the total amount of cash required to subscribe for approximately 17,874,925 common shares of MergerSub and to acquire approximately 7,198,947 Amalco Common Shares from Anglo-Canadian and to pay related fees and expenses will be approximately \$600,000,000. TELUS will fund this amount through the issuance of commercial paper and, to the extent necessary, from loans through bank credit facilities. TELUS and its wholly owned subsidiaries have in place three commercial paper programs. TELUS has arranged for credit facilities to back up all commercial paper issued under its three programs. The commercial paper and bank facility loans will be for terms of less than one year. Any amounts advanced will bear interest at market rates for the relevant term.

STOCK EXCHANGE LISTING AND STATUS AS A REPORTING ISSUER

The Common Shares are listed on the TSE under the symbol “QTG”. As soon as possible following the Redemption Date, the Company will apply to have the Common Shares de-listed.

If the Amalgamation is completed, it is intended that an application will be made to each of the securities regulatory authorities in all Canadian Provinces for an order deeming the Company to no longer be a “reporting issuer” for the purposes of the applicable securities legislation, whereupon the Company will no longer be subject to the ongoing disclosure and other obligations currently imposed upon the Company as a reporting issuer under such legislation. However, it is intended to maintain the status of “reporting issuer” of Québec-Téléphone, the wholly-owned regulated subsidiary of QuébecTel which issues debt instruments in the public market.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Ogilvy Renault, counsel to QuébecTel, the following is a general summary of the principal Canadian federal income tax consequences of the amalgamation and subsequent redemption of the Amalco Redeemable Preferred Shares generally applicable to Shareholders other than Anglo-Canadian who deal at arm’s length with the Company and Anglo-Canadian, who are residents or deemed to be residents of Canada, who hold Common Shares as capital property and who are not “financial institutions” subject to the “mark-to-market” rules, all for the purposes of the *Income Tax Act* (Canada) (“ITA”).

This summary is based on the current provisions of the ITA, the regulations thereunder (“Regulations”) and counsel’s understanding of the current administrative and assessing practices of the Canada Customs and Revenue Agency (formerly Revenue Canada). In addition, this summary takes into account all specific proposals to amend the ITA and Regulations publicly announced by the Department of Finance of Canada prior to the date hereof (collectively, “Proposed Tax Amendments”). No assurance can be given that the Proposed Tax Amendments will be enacted as announced. This summary does not otherwise take into account or anticipate any changes in the law, whether by judicial, governmental or legislative decision or action, nor does it take into account provincial, territorial or foreign tax legislation or considerations which may differ significantly from those discussed herein.

No Capital Gains or Losses on Amalgamation

No capital gain or loss will be realized when a Shareholder exchanges Common Shares on the amalgamation for Amalco Redeemable Preferred Shares.

Adjusted Cost Base of Amalco Redeemable Preferred Shares Received on the Amalgamation

Amalco Redeemable Preferred Shares received by a Shareholder on the amalgamation in exchange for Common Shares will be deemed to have been acquired at an aggregate cost equal to the aggregate adjusted cost base of such Common Shares immediately before the amalgamation to such Shareholder.

Redemption of Amalco Redeemable Preferred Shares

The stated capital and paid-up capital of an Amalco Redeemable Preferred Share will be fixed under the Amalgamation Agreement at an amount equal to the Redemption Amount of such shares, namely \$23.00 per share. No deemed dividend will arise on the redemption of such share by Amalco because the Redemption Amount for such share will be equal to its paid-up capital.

On the redemption of an Amalco Redeemable Preferred Share, its holder will be considered to have disposed of such share for proceeds of disposition equal to the Redemption Amount of \$23.00, thereby realizing a capital gain (or capital loss) to the extent that such proceeds exceed (or are exceeded by) the adjusted cost base to the holder of such share and any reasonable costs of disposition.

A Shareholder will generally be required to include in the Shareholder's income two-thirds of any capital gain (the "taxable capital gain") and may apply two-thirds of any capital loss against taxable capital gains in accordance with the detailed rules in the ITA.

If the Shareholder is a corporation or a partnership or trust of which a corporation is a partner or a beneficiary, any capital loss realized on the disposition of shares may be reduced by the amount of certain dividends which have been received or were deemed to have been received on such shares or on the Common Shares exchanged therefor, in accordance with the detailed provisions of the ITA. Shareholders should consult their tax advisors for specific information regarding the application of the relevant "stop-loss" provisions of the ITA.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Shareholder. Accordingly, Shareholders should consult their own tax advisors for advice with respect to their own particular circumstances, including their place of residence.

EXPENSES IN CONNECTION WITH THE AMALGAMATION

Each of QuébecTel, TELUS and Anglo-Canadian is responsible for its own expenses incurred in connection with the Merger Agreement and the completion of the transactions contemplated thereby.

The Redemption Amount for the Amalco Redeemable Preferred Shares into which the Common Shares are converted will aggregate \$411,123,275. Management of QuébecTel estimates that its total expenses in connection with the Amalgamation will be approximately \$5.8 million including third party legal, accounting, advisory and investment banking, filing, printing and mailing expenses.

DISCRETIONARY AUTHORITY

The accompanying form of proxy confers discretionary authority with respect to amendments to the matters identified in the notice of the Meeting and on such other business as may properly come before the Meeting or any adjournment thereof. The Board is not aware that any such amendments or other business are to be submitted to the Meeting. If such amendments or other business properly come before the Meeting, or any adjournment thereof, the nominees designated in such form of proxy will vote the shares represented thereby in their discretion.

LEGAL MATTERS

Ogilvy Renault, legal counsel to QuébecTel, will pass upon certain tax and securities law considerations in connection with the Amalgamation.

ADDITIONAL INFORMATION CONCERNING QUÉBECTEL

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of QuébecTel are incorporated herein by reference:

1. Annual Information Form of QuébecTel for the Year Ended December 31, 1999 (attached as Schedule D);

2. **Management Proxy Circular of QuébecTel for the 2000 Annual Meeting (attached as Schedule E);**
3. **Audited Consolidated Financial Statements of QuébecTel for the Year Ended December 31, 1999 (attached as Schedule F);**
4. **Unaudited Consolidated Financial Statements of QuébecTel for the Quarter Ended March 31, 2000 (attached as Schedule G).**

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Management Proxy Circular to the extent that a statement contained herein modifies or supersedes that statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Management Proxy Circular.

DIVIDEND POLICY

QuébecTel has been declaring and paying dividends on its Common Shares on a quarterly basis (\$0.165 per Common Share per quarter for the last three (3) years). QuébecTel's policy has been to offer Shareholders a dividend revenue which is comparable to that offered by other companies in the same industry. On April 19, 2000, based on the assumption that the Amalgamation will be approved by the Shareholders at the Meeting, the Board of Directors has declared a dividend of \$0.11 per Common Share payable on May 30, 2000 to Shareholders of record on May 1, 2000.

DIVIDEND REINVESTMENT PLAN

The Common Shareholders' Dividend Reinvestment Plan of QuébecTel enables participating Shareholders to acquire additional Common Shares by reinvesting the dividends paid on their Common Shares.

On April 19, 2000, the Board of Directors suspended the operation of such plan effective immediately. Participating Shareholders have been notified of the suspension and of the procedure for obtaining the certificates representing their Common Shares which are held by the plan agent for their account. The dividend of \$0.11 per Common Share payable on May 30, 2000 will be paid to participating Shareholders in cash.

MATERIAL CONTRACTS WITH TELUS, ANGLO-CANADIAN AND GTE

The Company and its subsidiaries are not parties to contracts or arrangements with TELUS, Anglo-Canadian, GTE or their affiliates or associates which have materially affected or could materially affect the Company, other than for services rendered in connection with telephone directories services provided by Anglo-Canadian, for services based on cost sharing agreements and for various other services. During 1999, the Company paid \$4.3 million (\$6.1 million in 1998) for such services which are recorded at fair value.

EXECUTIVE COMPENSATION

Reference is made to the Management Proxy Circular of QuébecTel for the 2000 Annual Meeting (attached as Schedule E) for information concerning executive compensation. There have been no changes in such matters as of the date hereof, except as disclosed under "Additional Information Concerning QuébecTel — Incentive Plans and Treatment on Amalgamation".

INCENTIVE PLANS AND TREATMENT ON AMALGAMATION

Stock Option Plan

QuébecTel's Stock Option Plan ("Stock Option Plan") grants to officers, senior management and other key employees of the Company and its subsidiaries options to purchase Common Shares. Options granted under the Stock Option Plan terminate up to a maximum of ten years after their grant date and are exercisable in tranches after a one-year period ("time-vesting options") and, in some cases, a three-year period ("performance-vesting options"). All options are exercisable at a price equivalent to the average of the closing prices on the ME and the TSE on the last trading day immediately preceding each grant date.

On March 31, 2000, the Board of Directors of QuébecTel approved the proposal, subject to regulatory approval, to treat the options outstanding under the Stock Option Plan as follows.

With respect to the vested portion of QuébecTel's options, optionees will be offered the alternative of either exercising the vested portion of their options prior to the Effective Date or converting the vested portion of their options into vested TELUS options (using the share price ratio methodology described in the next paragraph), thereby

enabling them to preserve their stock option tax treatment and to exercise TELUS options after the Effective Date. With respect to the unvested portion of time-vesting options, the Board approved the proposal that they be converted into TELUS options, with the number of underlying shares and the exercise price adjusted using the share price ratio methodology described in the next paragraph. The vesting and remaining term of the converted TELUS options will remain the same as, and the other terms and conditions of the converted time-vesting options will remain substantially the same as, those of the original options of QuébecTel. With respect to the performance-vesting options, the Board approved the proposal that they be converted into TELUS time-vesting options, with the number of underlying shares and the exercise price adjusted using the share price ratio methodology described in the next paragraph but after applying discount factors to the number of underlying shares which vary depending on the year of grant.

The conversion of QuébecTel options into TELUS time-vesting options is to be done on a basis that will result in optionees holding options for TELUS Common Shares which have an economic value on the Effective Date identical to the economic value of their QuébecTel options on the Effective Date. By way of example, QuébecTel time-vesting options to purchase 1,000 Common Shares with an exercise price of \$15.00 per share would be replaced by TELUS options to purchase 561 TELUS Common Shares at the exercise price of \$26.74 per share, determined as follows:

1. the exercise price for the replacement TELUS options (\$26.74 in this example) is calculated to reflect the same ratio between the exercise price and the share price associated with the QuébecTel options to be converted, i.e. the ratio of \$15.00 to \$23.00, multiplied by the market value of TELUS Common Shares on the day immediately preceding the Effective Date (\$41.00 in this example), and
2. the number of TELUS Common Shares that may be purchased upon exercise of the replacement TELUS options (561 in this example) is calculated to reflect the same amount of gain in the QuébecTel options to be converted, i.e. \$8,000 $((\$23.00 - \$15.00) \times 1000)$, divided by the gain per replacement TELUS option of \$14.26 $(\$41.00 - \$26.74)$.

Employee Share Purchase Plan

The 1998 Employee's Common Stock Purchase Plan of QuébecTel which was established on February 22, 1998 enables regular employees, including officers, of QuébecTel to purchase Common Shares issued from treasury by way of payroll deductions. 79,671 Common Shares were issued under such plan, which ended on April 27, 2000.

Directors' Deferred Share Units Plan

QuébecTel's Deferred Share Units Plan for non-employee directors ("Deferred Share Units Plan") entitles all members of the Board who are not employees of the Company or any of its affiliates to be paid the annual retainer portion of their remuneration in the form of share units in lieu of cash. Accordingly, following the end of each quarter, a number of share units equal to the number of Common Shares that could be purchased on the open market for a dollar amount equal to the quarterly retainer fee is credited to the account maintained by the Company for each participating director under the Deferred Share Units Plan. No Common Shares are purchased on the open market under the Deferred Share Units Plan until such time as a director ceases to be a member of the Board. Following the cessation of a participating director's board service, the Company causes to be purchased on the open market a number of Common Shares equal to the participating director's credit balance under the Deferred Share Units Plan after remittance of applicable withholding taxes and such Common Shares are then delivered to the director.

On March 31, 2000, the Board of Directors of the Company approved the proposal that the units granted under the Deferred Share Units Plan be paid in cash, subject to applicable withholding taxes, on the basis of \$23.00 per unit.

SHARE OWNERSHIP OF DIRECTORS AND SENIOR OFFICERS OF QUÉBECTEL

The following lists the number of Common Shares held by the directors and senior officers of QuébecTel and their associates:

<u>Person</u>	<u>Number of Common Shares</u>	<u>Percent of all Common Shares</u>	<u>Number of options to acquire Common Shares</u>	<u>Percent of All Common Shares (Assuming Exercise of Options)</u>
Dorothée Biron	7,316	Less than 1%	46,920	Less than 1%
Réal Blais	2,615	Less than 1%	69,260	Less than 1%
Marcel Dutil	5,756	Less than 1%	—	Less than 1%
André Gagnon	12,651	Less than 1%	98,940	Less than 1%
Raymond Garneau	2,082	Less than 1%	—	Less than 1%
Jean Gaulin	5,180	Less than 1%	—	Less than 1%
Claude Gendron	46,482	Less than 1%	99,340	Less than 1%
Alfred C. Giammarino	—	—	—	—
Dominique Jalbert	4,224	Less than 1%	63,260	Less than 1%
Gilles Laroche	61,030	Less than 1%	145,767	Less than 1%
Jean-Guy Paquet	2,800	Less than 1%	—	Less than 1%
Placide Poulin	2,800	Less than 1%	—	Less than 1%
Hugues St-Pierre	9,847	Less than 1%	148,240	Less than 1%
Larry J. Sparrow	—	—	—	—
Denise Verreault	—	—	—	—
Jean-Denis Vincent	2,000	Less than 1%	—	Less than 1%

INTERESTS OF PERSONS IN THE MATTERS TO BE ACTED UPON AT THE MEETING

No director or senior officer of the Company nor any associate or affiliate of any of the foregoing persons nor, to the knowledge of the directors and senior officers of the Company, after reasonable inquiry, any person who beneficially owns or exercises control or direction over more than 10% of the outstanding Common Shares, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except for any interest arising from the ownership of Common Shares where the holder of Common Shares receives no extra or special benefit or advantage not shared on a pro rata basis by all holders of Common Shares and except for the effect of the “going private transaction”, pursuant to which TELUS and Anglo-Canadian shall become the sole holders of Amalco Common Shares.

In addition, under the terms of an arrangement between TELUS and GTE pursuant to which TELUS has acquired the right to be licensed substantially all of GTE’s brands and technology, the annual royalty payable to GTE for years beginning after January 31, 2004 of such licenses, as a result of the proposed transactions, may be increased by an amount up to 2% of the revenues of the Company attributable to telecommunications services.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS


Except as disclosed herein, no director or senior officer of the Company and, to the knowledge of the directors and senior officers of the Company, after reasonable inquiry, none of their respective associates nor any person who beneficially owns or exercises control or discretion over more than 10% of the outstanding Common Shares, has any interest in any material contract to which the Company is a party.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares is General Trust of Canada, at its principal offices in Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.


BOARD OF DIRECTORS' APPROVAL AND CERTIFICATE

The contents and the sending of this Management Proxy Circular have been approved by the Board of Directors of QuébecTel.


(Signed) 
Dorothée Biron
Chief Officer — Corporate Affairs and
Secretary

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

(Signed) 
Hugues St-Pierre
President and Chief Executive Officer

(Signed) 
Claude Gendron
Executive Vice-President — Administration,
Finance and Treasurer

(Signed) 
Gilles Laroche
Director

(Signed) 
Raymond Garneau
Director

The information contained in this Management Proxy Circular concerning TELUS, GTE, Anglo-Canadian and MergerSub (other than information as to negotiations between QuébecTel, the Independent Committee and their advisors, on the one hand, and TELUS, GTE, Anglo-Canadian or MergerSub, on the other hand, or information as to contracts or dealings between QuébecTel and GTE and its subsidiaries) was supplied by the management of TELUS, GTE, Anglo-Canadian and MergerSub, as the case may be, at the request of QuébecTel. With respect to this information, the Board of Directors of QuébecTel has relied upon TELUS, GTE, Anglo-Canadian and MergerSub without having made any independent inquiry as to the accuracy thereof, and QuébecTel assumes no responsibility for the accuracy or completeness of such information.

May 2, 2000

CONSENT OF SCOTIA CAPITAL INC.

TO: The Directors of The QuébecTel Group Inc.

We hereby consent to the reference to our valuation under “The Amalgamation — Valuation” in the management proxy circular dated May 2, 2000 prepared in connection with the proposed amalgamation of The QuébecTel Group Inc. and 9090-4202 Québec Inc., as well as to the inclusion of our valuation as Schedule B thereto.

Montreal, Quebec
May 2, 2000

Scotia Capital Inc.

(Signed) SCOTIA CAPITAL INC.

CONSENT OF CIBC WORLD MARKETS INC.

TO: The Directors of The QuébecTel Group Inc.

We hereby consent to the reference to our fairness opinion under “The Amalgamation — Fairness Opinion” in the management proxy circular dated May 2, 2000 prepared in connection with the proposed amalgamation of The QuébecTel Group Inc. and 9090-4202 Québec Inc., as well as to the inclusion of our fairness opinion as Schedule C thereto.

Montreal, Quebec
May 2, 2000

A handwritten signature in black ink that reads "CIBC World Markets Inc." in a cursive, slightly slanted font.

(Signed) CIBC WORLD MARKETS INC.

CONSENT OF OGILVY RENAULT

TO : The Directors of The QuébecTel Group Inc.

We hereby consent to the reference to our opinion under the heading “The Amalgamation — Canadian Federal Income Tax Considerations” in the management proxy circular dated May 2, 2000 prepared in connection with the proposed amalgamation of The QuébecTel Group Inc. and 9090-4202 Québec Inc.

Montreal, Quebec
May 2, 2000

A handwritten signature in cursive script that reads "Ogilvy Renault".

(Signed) OGILVY RENAULT

CONSENT OF BORDEN LADNER GERVAIS

TO : The Directors of The QuébecTel Group Inc.

We hereby consent to the reference to our name under the heading “The Amalgamation — Independent Committee” in the management proxy circular dated May 2, 2000 prepared in connection with the proposed amalgamation of The QuébecTel Group Inc. and 9090-4202 Québec Inc.

Montreal, Quebec
May 2, 2000

A handwritten signature in black ink that reads "Borden Ladner Gervais". The signature is written in a cursive, flowing style.

(Signed) BORDEN LADNER GERVAIS

SCHEDULE A
BY-LAW 2000-1 OF QUÉBECTEL
AND
AMALGAMATION AGREEMENT

BY-LAW 2000-1
of
THE QUÉBECTEL GROUP INC.

WHEREAS The QuébecTel Group Inc. (“Company”) and 9090-4202 Québec Inc. plan to amalgamate and continue their existence as one and the same company under the name of The QuébecTel Group Inc.

BE IT AND IT IS HEREBY ENACTED AND PROMULGATED AS BY-LAW 2000-1 AS FOLLOWS:

1. The amalgamation agreement between the Company and 9090-4202 Québec Inc. dated as of May 2, 2000 providing for the amalgamation of the Company and 9090-4202 Québec Inc. under Part IA of the *Companies Act* (Quebec) and setting forth the terms and conditions thereof and all other necessary provisions for completion of the amalgamation and to ensure the organization and management of the company resulting from the amalgamation is hereby approved as drafted.
2. Provided (i) this by-law has been confirmed in accordance with the provisions of the *Companies Act* (Quebec) and other applicable laws by the shareholders entitled to vote thereon at a special general meeting of the shareholders duly called for that purpose, (ii) the amalgamation agreement has not been terminated, and (iii) the merger agreement made as of March 30, 2000 among the Company, BCT.TELUS Communications Inc. and Anglo-Canadian Telephone Company has not been terminated, any director of the Company is hereby authorized to sign the Articles of Amalgamation giving effect to the amalgamation agreement and all other documents required or necessary for the delivery of a certificate attesting the amalgamation.

AMALGAMATION AGREEMENT

between

THE QUÉBECTEL GROUP INC.

and

9090-4202 QUÉBEC INC.

Dated as of May 2, 2000

AMALGAMATION AGREEMENT

AMALGAMATION AGREEMENT made as of May 2, 2000,

BETWEEN: THE QUÉBECTEL GROUP INC., a company incorporated under the laws of Québec (“QuébecTel”);

AND: 9090-4202 QUÉBEC INC., a company incorporated under the laws of Québec (“MergerSub”);

WHEREAS, QuébecTel was incorporated under the laws of Québec and 35,981,031 common shares of QuébecTel are issued and outstanding as fully paid and non-assessable on the date hereof;

WHEREAS, MergerSub was incorporated under the laws of Québec; and

WHEREAS, the parties propose to amalgamate and continue in existence as one and the same company under the laws of Québec;

NOW, THEREFORE, the parties hereby agree as follows:

1. **Definitions.** In this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following terms will have the following meanings, respectively:

“*Amalco*” means the company resulting from the amalgamation of QuébecTel and MergerSub pursuant to this Agreement and the certificate of amalgamation to be issued by the Inspector General of Financial Institutions (Québec) under the QCA;

“*Amalco Common Shares*” means the common shares in the capital of Amalco;

“*Amalco Redeemable Preferred Shares*” means the redeemable preferred shares in the capital of Amalco;

“*Amalgamation*” means the amalgamation of QuébecTel and MergerSub pursuant to Section 3;

“*Anglo-Canadian*” means Anglo-Canadian Telephone Company;

“*Business Day*” means a day which is not a Saturday, Sunday or statutory holiday in Québec or Ontario, on which the banks are open for business in Montréal and Toronto;

“*Effective Date*” means the date shown on the certificate of amalgamation issued by the Inspector General of Financial Institutions (Québec) giving effect to the Amalgamation;

“*QCA*” means the *Companies Act* (Québec);

“*Redemption Amount*” means the sum of \$23.00 per Amalco Redeemable Preferred Share; and

“*Redemption Date*” means the day on which Amalco redeems all of the issued and outstanding Amalco Redeemable Preferred Shares, provided that such redemption occurs within three Business Days following the Effective Date.

2. **Appendices.** The following are the appendices to this Agreement, which form an integral part hereof:

Appendix A — Initial Directors

Appendix B — Description of Share Capital

3. **Amalgamation.** On the Effective Date, QuébecTel and MergerSub will amalgamate, pursuant to the provisions of Part IA of the QCA, and continue in existence as one and the same company (hereinafter referred to as “Amalco”) upon the terms and subject to the conditions and in the manner provided for in this Agreement.

4. **Name.** The name of Amalco will be The QuébecTel Group Inc. and in French, Le Groupe QuébecTel Inc.

5. **Head Office.** The head office of Amalco will be located in Rimouski, Québec, in the judicial district of Rimouski. The address of Amalco will be 6 Jules-A.-Brillant Street, Rimouski, Québec, G5L 7E4.

6. **Directors.** The number of directors of Amalco will be such number not less than three and no more than eleven as the directors of Amalco may from time to time determine.

7. **Initial Directors.** The initial directors of Amalco will be those directors named in Appendix A hereto, until such time as their respective successors have been duly elected or appointed.

8. **Auditors.** The initial auditors of Amalco will be Arthur Andersen & Cie, a general partnership, 5 Place Ville Marie, Suite 1000, Montréal, Québec, H3B 4X3 and Malette Maheu, a general partnership, 2 Saint-Germain Street, Suite 600, Rimouski, Québec, G5L 8T7.

9. **Business of Amalco.** There will be no restrictions on the activities and business that Amalco may carry on or on the powers Amalco may exercise.

10. **Authorized Capital.** Amalco will be authorized to issue an unlimited number of Amalco Common Shares and an unlimited number of Amalco Redeemable Preferred Shares, without nominal or par value. The Amalco Redeemable Preferred Shares will only be issued in accordance with Section 13.1.

11. **Share Provisions.** The Amalco Common Shares and the Amalco Redeemable Preferred Shares will have attached thereto the rights, privileges, conditions and restrictions respectively set out in Appendix B hereto.

12. **Cancellation of Non-issued Shares.** On the Effective Date, the non-issued shares in the capital of QuébecTel and MergerSub will be cancelled, and any shares in the capital of either of QuébecTel or MergerSub held by or on behalf of the other party hereto will be cancelled without any repayment of capital in respect thereof.

13. **Conversion of Shares.** The issued and outstanding shares, on the Effective Date, in the capital of each of QuébecTel and MergerSub, except the shares, if any, cancelled pursuant to Section 12 and this Section 13, will, on the Effective Date, be converted into issued and outstanding and fully paid and non-assessable shares in the capital of Amalco on the following basis:

13.1 each common share in the capital of QuébecTel held by a shareholder, other than MergerSub, will be converted into one Amalco Redeemable Preferred Share in the capital of Amalco; and

13.2 each common share in the capital of MergerSub will be converted into one Amalco Common Share in the capital of Amalco.

On the Effective Date, the issued and outstanding common shares in the capital of QuébecTel held by MergerSub will be cancelled without any repayment of capital in respect thereof.

14. **Adjustments of Issued and Paid-up Share Capital.**

14.1 On the Effective Date, Amalco will add to the issued and paid-up share capital account maintained for the Amalco Redeemable Preferred Shares an amount of \$23.00 in respect of each Amalco Redeemable Preferred Share issued under Section 13.1.

14.2 On the Effective Date, Amalco will add to the issued and paid-up share capital account maintained for the Amalco Common Shares in respect of the Amalco Common Shares issued under Section 13.2 the total of (i) the amount which is equal to the issued and paid-up share capital account maintained by QuébecTel for the issued and outstanding common shares in the capital of QuébecTel, other than the issued and outstanding common shares in the capital of QuébecTel held by MergerSub, and (ii) the amount which is equal to the issued and paid-up share capital account maintained for the common shares in the capital of MergerSub, minus (x) the amount which is equal to the total of the amounts referred to in Section 14.1 and (y) such other amount, if any, as may be necessary to, and results in, the paid-up capital for the purposes of the *Income Tax Act* (Canada) in respect of the issued and outstanding Amalco Redeemable Preferred Shares issued under Section 13.1 being \$23.00 for each such Amalco Redeemable Preferred Share.

15. **Fractional Shares.** Holders of shares will not be entitled to be registered on the books of Amalco in respect of a fraction of one issued Amalco Redeemable Preferred Share or Amalco Common Share in the capital of Amalco resulting from the conversion under Section 13, but such holders will be entitled to receive cash for any fractional interest on the basis of \$23.00 per whole Amalco Redeemable Preferred Share or Amalco Common Share. A cheque for the amount to which any holder is entitled will be mailed to the address of such holder as it appears in the books of Amalco.

16. **Redemption of Amalco Redeemable Preferred Shares.**

16.1 Amalco will, on the Redemption Date, redeem all of the then outstanding Amalco Redeemable Preferred Shares on payment to the registered holders thereof of the Redemption Amount.

16.2 Upon the redemption of the Amalco Redeemable Preferred Shares, Amalco will pay or cause to be paid to the holders thereof the Redemption Amount for each Amalco Redeemable Preferred Share so redeemed, provided that the holders will have delivered to Amalco, or as Amalco may direct, the certificate or certificates representing the common shares in the capital of QuébecTel which were converted into such Amalco Redeemable Preferred Shares. On and after the redemption of any such Amalco Redeemable Preferred Shares, the holders thereof will not be entitled to exercise any of the rights of shareholders in respect thereof, other than the right to receive payment, without interest, of the

Redemption Amount, unless payment of the aforesaid Redemption Amount has not been made in accordance with the foregoing provisions, in which case the rights of such shareholder will remain unaffected.

16.3 Amalco will have the right, at any time, to deposit the Redemption Amount in respect of any Amalco Redeemable Preferred Shares, which has not prior thereto been paid to the holders thereof, to a special account in any Canadian bank or trust company in Montréal, Québec, including the registrar and transfer agent for the common shares in the capital of QuébecTel, providing for such amount to be paid, without interest, to the holders of such Amalco Redeemable Preferred Shares upon surrender of the certificate or certificates representing the common shares in the capital of QuébecTel which have been converted into such Amalco Redeemable Preferred Shares.

16.4 Redemption moneys that are represented by a cheque which has not been presented to Amalco's bankers for payment or that otherwise remain unclaimed for a period of six years will, subject to applicable law, be forfeited to Amalco.

16.5 Amalco Redeemable Preferred Shares redeemed or otherwise acquired by Amalco will be cancelled.

17. **By-Laws.** The by-laws of QuébecTel in effect on the day prior to the Effective Date, with such modifications as the circumstances require, will be the by-laws of Amalco, such by-laws after the Effective Date to be supplemented, amended or repealed in accordance with the provisions of the QCA relating to the making, amending and repealing of by-laws.

18. **Financial Year.** The financial year of Amalco will end on December 31 of each year.

19. **Amendments.** Each of the parties hereto may, by resolution of their respective directors, assent to any amendment or variation of this Agreement which the shareholders of the parties hereto may approve or which may be required by applicable law and the term "Agreement" as used herein will include this Agreement as so amended or varied.

20. **Termination.** Notwithstanding the approval of this Agreement by the shareholders of either party hereto, the directors of such party may by resolution terminate this Agreement at any time prior to the issuance of a certificate of amalgamation giving effect to the amalgamation.

21. **Applicable Law.** This Agreement will be governed by, and construed in accordance with, the laws of Province of Québec and the laws of Canada applicable therein and will be treated in all respects as a Québec contract.

22. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

23. **Binding Effect.** This Agreement will be binding upon and will enure to the benefit of the parties and their respective successors and permitted assigns (including Amalco).

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above written.

THE QUÉBECTEL GROUP INC.

By: (Signed) HUGUES ST-PIERRE
Title: President and Chief Executive Officer

9090-4202 QUÉBEC INC.

By: (Signed) MICHAEL MARTIN
Title: President

APPENDIX A
To the Amalgamation Agreement

Initial Directors

<u>Name</u>	<u>Residence Address</u>	<u>Principal Occupation</u>
MARCEL DUTIL, C.M.	Montréal, Québec	Chairman of the Board, President and Chief Executive Officer, The Canam Manac Group Inc. (Construction steel products and semi-trailers)
RAYMOND GARNEAU, O.C.	Westmount, Québec	Chairman of the Board and Chief Executive Officer, Industrial-Alliance Life Insurance Company (Insurance)
JEAN GAULIN.....	San Antonio, Texas	Chairman of the Board and Chief Executive Officer, Ultramar Diamond Shamrock Corporation (Oil refining)
ALFRED C. GIAMMARINO	Trumbull, Connecticut	Senior Vice President Finance, Planning and Business Development, GTE Service Corporation (Telecommunications)
GILLES LAROCHE	Rimouski, Québec	Chairman of the Board of QuébecTel
JEAN-GUY PAQUET, C.C., O.Q.	Sainte-Foy, Québec	President and Chief Executive Officer, National Optics Institute (Research)
PLACIDE POULIN	Sainte-Marie-de-Beauce, Québec	Chairman of the Board and Chief Executive Officer, MAAX Inc. (Bathroom products and spas)
HUGUES ST-PIERRE	Rimouski, Québec	President and Chief Executive Officer of QuébecTel
LARRY J. SPARROW	Southlake, Texas	President — Wholesale Markets, Network Services Corporation (Telecommunications)
GÉRARD VEILLEUX, O.C.B.A., A.M.P. ..	Montréal, Québec	President, Power Communications Inc. and Vice-President, Power Corp. of Canada (Diversified Management)
DENISE VERREAULT	Les Méchins, Québec	President, Groupe Maritime Verreault Inc. (Ship building and repair, dredging)

APPENDIX B
To the Amalgamation Agreement
Description of Share Capital

The rights, privileges, conditions and restrictions attaching to the authorized shares in the share capital of Amalco are as follows:

1. **Amalco Common Shares.** The rights, privileges, conditions and restrictions attaching to the Amalco Common Shares are as follows:

- 1.1 **Dividends.** The holders of the Amalco Common Shares will be entitled to receive dividends if, as and when declared by the directors of Amalco, out of the assets of Amalco properly applicable to the payment of dividends in such amounts and payable in such manner as the directors of Amalco may from time to time determine. Subject to the rights of the holders of any other class of shares of the Amalco entitled to receive dividends in priority to or rateably with the holders of the Amalco Common Shares, the directors of Amalco may in their sole discretion declare dividends on the Amalco Common Shares to the exclusion of any other class of shares of Amalco.
- 1.2 **Liquidation.** In the event of the liquidation, dissolution or winding-up of Amalco or other distribution of property and assets of Amalco among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, the holders of the Amalco Common Shares will, subject to the rights of the holders of any other class of shares of Amalco entitled to receive the property and assets of Amalco upon such a distribution in priority to or rateably with the holders of the Amalco Common Shares, be entitled to participate rateably in any distribution of the assets of Amalco.
- 1.3 **Voting Rights.** The holders of the Amalco Common Shares will be entitled to receive notice of and to attend all annual and special meetings of the shareholders of Amalco and to one vote in respect of each Amalco Common Share held at all such meetings.

2. **Amalco Redeemable Preferred Shares.** The rights, privileges, conditions and restrictions attaching to the Amalco Redeemable Preferred Shares are as follows:

- 2.1 **Dividends.** The holders of Amalco Redeemable Preferred Shares will not be entitled to receive any dividends thereon.
- 2.2 **Liquidation.** In the event of the liquidation, dissolution or winding up of Amalco, or other distribution of the property and assets of Amalco among its shareholders for the purpose of winding up its affairs, whether voluntary or involuntary, the holders of Amalco Redeemable Preferred Shares will be entitled to receive out of the property and assets of Amalco lawfully available for distribution to its shareholders an amount per Amalco Redeemable Preferred Share equal to the Redemption Amount. The right of the holders of Amalco Redeemable Preferred Shares to receive such distribution will rank in priority to any distribution to the holders of any other class of shares of Amalco. Except for a distribution in the amount of the Redemption Amount as aforesaid, the holders of Amalco Redeemable Preferred Shares will not as such be entitled to receive or participate in any distribution of the property and assets of Amalco among its shareholders.
- 2.3 **Redemption.** Amalco will on the Redemption Date, redeem all of the then outstanding Amalco Redeemable Preferred Shares on payment to the registered holders thereof of the Redemption Amount.
- 2.4 **Payment of Redemption Amount.** Upon the redemption of the Amalco Redeemable Preferred Shares, Amalco will pay or cause to be paid to the holders thereof the Redemption Amount for each Amalco Redeemable Preferred Share so redeemed, provided that the holder will have delivered to Amalco, or as Amalco may direct, the certificate or certificates representing such common shares in the capital of The QuébecTel Group Inc. which were converted into such Amalco Redeemable Preferred Shares. On and after the redemption of any such Amalco Redeemable Preferred Shares, the holder thereof will not be entitled to exercise any of the rights of shareholders in respect thereof, other than the right to receive payment, without interest, of the Redemption Amount, unless payment of the aforesaid Redemption Amount has not been made in accordance with the foregoing provisions, in which case the rights of such shareholder will remain unaffected.

- 2.5 ***Deposit of Redemption Amount.*** Amalco will have the right, at any time, to deposit the Redemption Amount in respect of any Amalco Redeemable Preferred Shares, which has not prior thereto been paid to the holders thereof, to a special account in any Canadian bank or trust company in Montreal, Quebec, including the registrar and transfer agent for the common shares in the capital of The QuébecTel Group Inc., providing for such amount to be paid, without interest, to the holder of such Amalco Redeemable Preferred Shares upon surrender of the certificate or certificates representing the common shares in the capital of The QuébecTel Group Inc. which have been converted into such Amalco Redeemable Preferred Shares.
- 2.6 ***Unclaimed Redemption Amount.*** Redemption moneys that are represented by a cheque which has not been presented to Amalco's bankers for payment or that otherwise remain unclaimed for a period of six years will, subject to applicable law, be forfeited to Amalco.
- 2.7 ***Cancellation of Shares.*** Amalco Redeemable Preferred Shares redeemed or otherwise acquired by Amalco will be cancelled.
- 2.8 ***Voting.*** Subject to the provisions of the *Companies Act* (Québec), the holders of Amalco Redeemable Preferred Shares will not be entitled to receive notice of or attend or vote at any meetings of the shareholders of Amalco.
- 2.9 ***Approval of Holders of Amalco Redeemable Preferred Shares.*** The rights, privileges, conditions and restrictions attaching to the Amalco Redeemable Preferred Shares as a class may be added to, changed or removed but only with the approval of the holders of the Amalco Redeemable Preferred Shares given as hereinafter specified. The approval of the holders of Amalco Redeemable Preferred Shares to add to, change or remove any right, privilege, condition or restriction attaching to the Amalco Redeemable Preferred Shares as a class or to any other matter requiring the consent of the holders of the Amalco Redeemable Preferred Shares as a class may be given in such manner as may then be required by the *Companies Act* (Québec), subject to a minimum requirement that such approval will be given by resolution passed by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of Amalco Redeemable Preferred Shares duly called for that purpose at which the holders of at least 25% of the then outstanding Amalco Redeemable Preferred Shares are present or represented by proxy. If at any such meeting the holders of 25% of the outstanding Amalco Redeemable Preferred Shares are not present or represented by proxy within one-half hour after the time fixed for such meeting, then the meeting will be adjourned to such date being not less than 30 days later and at such time and place as may be determined by the chairman and not less than 21 days' notice will be given of such adjourned meeting. At such adjourned meeting, the holders of the Amalco Redeemable Preferred Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds of the votes cast at such adjourned meeting will constitute the approval of the holders of the Amalco Redeemable Preferred Shares referred to above. The formalities to be observed in respect of the giving of notice of any such meeting or any adjourned meeting and the conduct thereof will be those required by the *Companies Act* (Québec) and prescribed in any applicable by-laws of Amalco with respect to meetings of shareholders. On every poll taken at a meeting of holders of Amalco Redeemable Preferred Shares as a class, each holder entitled to vote thereat will have one vote in respect of each Amalco Redeemable Preferred Share held by such holder.
- 2.10 ***Amount Specified.*** The amount specified for the purposes of Section 191(4) of the *Income Tax Act* (Canada) in respect of each Amalco Redeemable Preferred Share is \$23.00.

SCHEDULE B

VALUATION OF SCOTIA CAPITAL INC.

DATED MARCH 29, 2000

Scotia Capital Inc.
Scotia Tower
1002 Sherbrooke Street West, 8th Floor
Montreal, Quebec
Canada H3A 3L6
Tel: (514) 287-3607
Fax: (514) 499-8454



March 29, 2000

The Independent Committee of the Board of Directors

QuébecTel Group Inc.

6 Jules-A.-Brillant St.
Rimouski, Quebec
G5L 7E4

To the Independent Committee:

Scotia Capital Inc. (“Scotia Capital”) understands that BCT.TELUS Communications Inc. (“BCT.TELUS”), The QuébecTel Group Inc. (“QuébecTel” or the “Company”) and Anglo-Canadian Telephone Company (“Anglo-Canadian”) have entered into an agreement (the “Merger Agreement”) whereby QuébecTel will combine its business with that of BCT.TELUS (the “Amalgamation”). The Amalgamation is conditional upon, among other things, receipt of the approval of the holders of the common shares of QuébecTel (the “Shares”, holders of Shares herein referred to as “Shareholders”) to permit the consummation of the Amalgamation at a meeting of the Shareholders called for that purpose (the “Special Meeting”). The Amalgamation contemplates a series of transactions following which Shareholders other than Anglo-Canadian (the “Minority Shareholders”) will receive \$23.00 cash per Share and BCT.TELUS and Anglo-Canadian, which is controlled, directly or indirectly, by GTE Corporation (“GTE”), will beneficially own respectively 70% and 30% of the issued outstanding common shares of the company resulting from the Amalgamation (“Amalco”).

Scotia Capital understands that the Amalgamation constitutes an “insider bid” within the meaning of Ontario Securities Commission Policy Statement No. 9.1 and Policy Statement No. Q-27 of the Commission des valeurs mobilières du Québec (collectively, the “Policies”). The terms of the Amalgamation are to be more fully described in a management proxy circular of QuébecTel (the “Circular”) to be prepared and sent to the Shareholders in connection with the Special Meeting.

Scotia Capital also understands that a committee (the “Committee”) of the Board of Directors (the “Board”) of QuébecTel has been constituted to consider the Amalgamation and make recommendations thereon to the Board. The Committee has retained Scotia Capital to prepare and deliver to the Committee a formal valuation (the “Valuation”) of the Shares in accordance with the requirements of the Policies.

Engagement

The Committee initially contacted Scotia Capital regarding a potential advisory assignment on February 21, 2000 and Scotia Capital was formally engaged by the Committee pursuant to an agreement between QuébecTel and Scotia Capital (the “Engagement Agreement”) dated March 3, 2000. The terms of the Engagement Agreement provide for the payment of \$300,000 to Scotia Capital for the preparation of a preliminary valuation report to be presented to the Committee and an additional \$100,000 for the provision of the Valuation. In addition, Scotia Capital is to be reimbursed for reasonable out-of-pocket expenses and to be indemnified by QuébecTel in respect of certain liabilities which may be incurred by Scotia Capital with respect to its engagement. Such fees payable to Scotia Capital are not contingent in whole or in part on the conclusions reached in the Valuation or on the success of the Offer.

Subject to the terms of the Engagement Agreement, Scotia Capital consents to the inclusion of this Valuation in its entirety, together with a summary thereof in a form acceptable to Scotia Capital, in the Circular and to the filing thereof with the securities commissions or similar regulatory authorities in each province of Canada.

The Scotia Capital trademark represents the corporate and investment banking businesses of The Bank of Nova Scotia, Scotia Capital Inc. and Scotia Capital (USA) Inc. – all members of the Scotiabank Group. Scotia Capital Inc. is a subsidiary of The Bank of Nova Scotia.

Credentials of Scotia Capital

Scotia Capital is one of Canada's largest investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, and investment research. Scotia Capital has participated in a significant number of transactions involving private and public companies and has extensive experience in preparing valuations and fairness opinions.

The Valuation expressed herein represents the opinion of Scotia Capital and the form and content thereof has been approved for release by a committee of directors and other professionals of Scotia Capital, each of whom is experienced in mergers and acquisitions and valuation matters.

Independence of Scotia Capital

None of Scotia Capital, its associates or affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of QuébecTel, BCT.TELUS, Anglo-Canadian, or GTE or any of their respective associates or affiliates. Scotia Capital has not provided any financial advisory services or participated in any financing involving QuébecTel, BCT.TELUS, Anglo-Canadian, or GTE or any of their respective associates or affiliates within the past two years of a material nature, other than the services provided under the Engagement Agreement and described below.

There are no understandings, agreements or commitments between Scotia Capital and QuébecTel, BCT.TELUS, Anglo-Canadian, Amalco, or GTE or any of their respective associates or affiliates with respect to any future business dealings. Scotia Capital may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for QuébecTel, BCT.TELUS, Anglo-Canadian, Amalco, or GTE or for any of their respective associates or affiliates. Scotia Capital does not believe that any of these relationships affects Scotia Capital's independence with respect to the Valuation.

Scotia Capital acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of QuébecTel, BCT.TELUS, or GTE or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies for clients for which it received or may receive compensation. As an investment dealer, Scotia Capital conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to QuébecTel (except for confidential information obtained in respect to the Valuation), BCT.TELUS, or GTE or for any of their associates or affiliates, or with respect to the Amalgamation.

Scope of Review

In connection with the Valuation, Scotia Capital has reviewed and relied upon or carried out, among other things, the following:

1. draft of the Merger Agreement dated March 29, 2000 between BCT.TELUS, QuébecTel and Anglo-Canadian;
2. audited financial statements of QuébecTel for the five years ended December 31, 1995, 1996, 1997, 1998, and 1999;
3. annual reports of QuébecTel for the five years ended December 31, 1995, 1996, 1997, 1998, and 1999;
4. unaudited interim financial statements of QuébecTel for the three month periods ended March 31, 1999, June 30, 1999, and September 30, 1999;
5. annual information forms of QuébecTel for the three years ended December 31, 1997, 1998, and 1999;
6. the Notices of Annual General Meeting of Shareholders and Information Circulars of QuébecTel for the three years ended December 31, 1997, 1998, and 1999;
7. draft financial statements for each of Swap-T Inc. and DynEC Inc. for the year ended December 31, 1999;
8. draft financial statements of Groupe Fortune 1000 Inc., for the three-month period ended December 31, 1999 and for the year ended September 30, 1999;
9. audited financial statements of Consortium Câble-Axion Digitel Inc., Câble-Axion Digitel Inc., Câble-Axion Quebec Inc. and QuébecTel AMI Inc. for the year ended August 31, 1999;

10. draft audited financial results of QuébecTel Zenon Inc. for the seven-month period ended December 31, 1999;
11. unaudited financial statements for R.G.B. Technologies Inc., DM Diffusion Multimédia Inc. and for QuébecTel Microcode Inc. for the period ended December 31, 1999;
12. draft Confidential Corporate Profile dated February 2000 relating to the proposed sale of Câble-Axion Digitel Inc.;
13. draft 2000 business plans and budgets for QuébecTel, including detailed information for each of its material subsidiaries and investments, dated February 16, 2000;
14. detailed presentations and business plans dated March 15, 1999 and November 1999 concerning opportunities to provide telecommunications and related services to customers outside of QuébecTel's traditional service territory;
15. report prepared by KPMG dated October 7, 1999 regarding the amalgamation of certain subsidiaries of QuébecTel.
16. detailed due diligence sessions with management of QuébecTel regarding the outlook and strategies of its businesses and operating environment;
17. the service agreement dated January 26, 1967 between QuébecTel and GT&E Service Corporation;
18. discussions with the auditors of QuébecTel;
19. public information relating to the business, operations, financial performance and stock trading history of QuébecTel and other selected public companies considered by us to be relevant;
20. public information regarding the telecommunications, information technology, cable, internet service providers and other technology industries;
21. representations contained in certificates addressed to us, dated as of the date hereof, from senior officers of QuébecTel as to the completeness and accuracy of the information upon which the Valuation is based; and
22. such other corporate, industry and financial market information, investigations and analyses as Scotia Capital considered necessary and appropriate in the circumstances.

Scotia Capital has not, to the best of its knowledge, been denied access by QuébecTel to any information requested by Scotia Capital.

Prior Valuations

The Company has represented to Scotia Capital that, to the best of its knowledge, there have not been any prior valuations (as defined in the Policies) of the Company or any of its material assets or subsidiaries in the past twenty-four month period.

Assumptions and Limitations

With the Committee's approval and as provided for in the Engagement Agreement, Scotia Capital has relied, without independent verification, upon all financial and other information that was obtained by us from public sources (as they relate to public documents as filed with regulatory agencies by QuébecTel or its affiliates) or that was provided to us by QuébecTel and its affiliates, associates, advisors or otherwise. We have assumed that this information was complete and accurate and did not omit to state any material fact or any fact necessary to be stated to make that information not misleading. Our Valuation is conditional upon such completeness and accuracy. In accordance with the terms of our engagement, but subject to the exercise of our professional judgement, we have not conducted any independent investigation to verify the completeness or accuracy of such information. With respect to the financial forecasts and budgets provided to us by QuébecTel and its affiliates, associates or advisors and used in our analysis, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgements of management of QuébecTel and its affiliates and associates as to the matters covered thereby. Senior management of QuébecTel has represented to us, in a certificate delivered as at the date hereof, amongst other things, that the information, opinions and other materials (the "Information") provided to us by or on behalf of QuébecTel was complete and correct at the date the Information was provided to us and that since the date of the Information, there has been no material change, financial or otherwise, in the financial position of QuébecTel, or in its assets,

liabilities (contingent or otherwise), business or operations and there has been no change in any material fact which is of a nature as to render the Information untrue or misleading in any material respect.

The Valuation is based on the securities markets, economic, general business and financial conditions prevailing today and the conditions and prospects, financial and otherwise, of QuébecTel as they were reflected in the information reviewed by us. In its analyses and in preparing the Valuation, Scotia Capital has made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of Scotia Capital, QuébecTel, BCT.TELUS, Anglo-Canadian, or GTE.

The Valuation has been provided for the use of the Committee and the Board and for inclusion in the Circular (together with a summary thereof in a form acceptable to Scotia Capital) and may not be used by any other person or relied upon by any other person without the express written consent of Scotia Capital. The Valuation is given as of the date hereof and Scotia Capital (subject to the Policies) disclaims any undertakings or obligation to advise any person of any change in any fact or matter affecting the Valuation which may come or be brought to Scotia Capital's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter after the date hereof, Scotia Capital reserves the right to change, modify or withdraw the Valuation.

Scotia Capital believes that its analyses must be considered as a whole and that selecting portions of its analyses and specific factors, without considering all factors and analyses together, could create a misleading view of the process underlying the Valuation. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Overview of QuébecTel

QuébecTel, through its various subsidiaries, offers a complete range of wireline and wireless telecommunications services as well as a highly diversified portfolio of products and services in the fields of information technology and electronic business solutions to a large number of businesses and consumers across the Province of Quebec. The Company owns and operates a state-of-the-art infrastructure representing the second largest telecommunications system in the Province of Quebec with investments of \$900 million and a workforce of approximately 2,200 employees. The Company's primary franchise area comprises the eastern region of the province of Quebec and has business operations in several of the principal cities of the Province of Quebec, including Montreal, Quebec city and Rimouski.

Historical Financial Information

	Twelve Months Ended December 31	
	1999	1998
	(\$ thousands, except for share amounts)	
Operating revenues	\$356,081	\$328,511
Operating income	\$ 70,473	\$ 69,766
Net income before extraordinary items	\$ 37,953	\$ 37,345
Net income (loss)	\$ (19,876)	\$ 37,345
Cash flow from operations (1)	\$ 97,586	\$100,871
Per share data: (2)		
Earnings (3)	\$ 1.06	\$ 1.06
Cash flow per share (1)	\$ 2.73	\$ 2.85

- (1) Cash flow from operations before changes in working capital.
- (2) Includes the two-for-one subdivision of Shares effective June 18, 1998.
- (3) Earnings before extraordinary items.

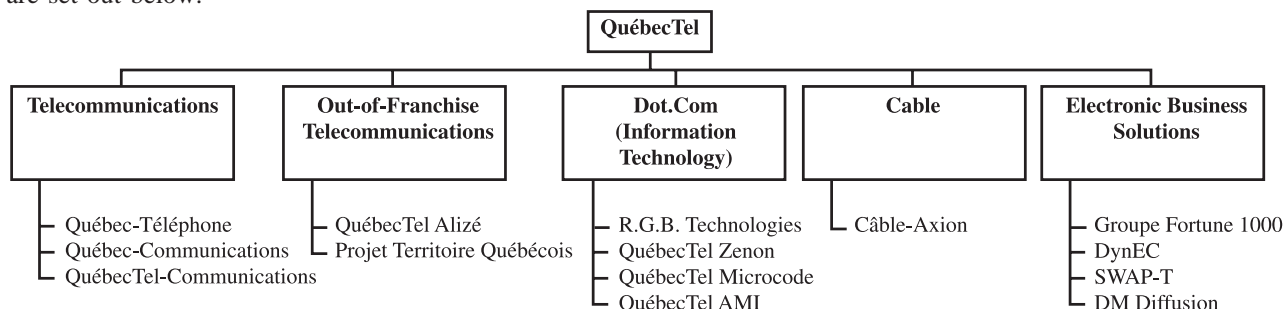
Definition of Fair Market Value

For purposes of this Valuation, fair market value is defined as the highest price, expressed in terms of money or money's worth, available in an open and unrestricted market between informed and prudent parties, each acting at arm's length, where neither party is under any compulsion to act. Fair market value of QuébecTel corresponds to the intrinsic value of the Shares as of the date hereof and may differ from the quoted market price at such date. Scotia

Capital has not made any downward adjustments to reflect the fact that the Shares held by the Minority Shareholders do not form part of a controlling interest.

Valuation Methodology

Scotia Capital approached the Valuation of the Shares relying primarily upon a Net Asset Value (“NAV”) analysis. In developing the NAV analysis, Scotia Capital segmented the business of the Company among five core lines of business and independently considered the value of each segment: (i) Telecommunications, representing the wireline and wireless telecommunications services of the Company within its traditional service territory and its internet access provider operations throughout the Province of Quebec; (ii) Out-of-Franchise Telecommunications, representing the telecommunications and related products and services of the Company outside of its traditional service territory; (iii) Dot.Com, comprising the information technology businesses of the Company; (iv) Cable; and (v) Electronic Business Solutions. These lines of business, including the principal subsidiaries or divisions that comprise each line, are set out below.



Scotia Capital considers the NAV analysis to be the most appropriate methodology for valuing QuébecTel as it considers the different risk prospects and growth opportunities of each line of business and, in deriving the value of each line of business, allows for different valuation methodologies and techniques to be employed. Each of the lines of business was analyzed on a going-concern basis. After determining the enterprise value of each line of business attributable to QuébecTel, consolidated debt (net of cash and debt in partially-owned entities already subtracted from segmented values) was subtracted to arrive at a range of values for the Shares.

In forming its views on value, Scotia Capital gave consideration to alternative methodologies for valuing QuébecTel on a consolidated basis. Specifically, Scotia Capital reviewed publicly-traded comparable companies analysis and precedent transaction analysis. Following such review, Scotia Capital concluded that publicly-traded comparable companies analysis was not determinative for valuing QuébecTel on a consolidated basis for various reasons including: (i) there is a very limited group of companies that are comparable to QuébecTel on a consolidated basis and none that share all of the risks and prospects of QuébecTel; and (ii) the analysis reflects minority discount values rather than “en bloc” values.

With respect to precedent transaction analysis, Scotia Capital reviewed transactions in the telecommunications and related industries over the past three years. Following such review, Scotia Capital concluded that there were no recent comparable transactions, noting that Ameritech Corporation’s 20% investment in Bell Canada, Bell Canada’s 20% investment in Manitoba Telecom Services Inc. and BCE’s purchase of an additional 11.6% of the common shares of Aliant Inc. represent minority investments rather than “en bloc” transactions. While transactions involving U.S. and European telecommunications companies were also considered, Scotia Capital did not consider these transactions to be relevant given the different market dynamics, risks, regulatory environments, and growth prospects of the Canadian telecommunications industry as compared to the foreign markets.

Net Asset Value Analysis

Telecommunications

Discounted Cash Flow Analysis

Scotia Capital relied upon discounted cash flow (“DCF”) analysis to value the Telecommunications business of QuébecTel. The DCF analysis takes into account the amount, timing and relative certainty of projected unlevered after-tax free cash flows expected to be generated by the business. The DCF analysis requires that certain assumptions be made regarding, among other things, future unlevered after-tax free cash flows, discount rates and terminal values.

The DCF analysis employed by Scotia Capital involved discounting to a present value the unlevered after-tax free cash flows of Telecommunications from January 1, 2000 to December 31, 2004, including terminal values determined as at December 31, 2004.

Scotia Capital also reviewed publicly-traded comparable companies analysis and precedent transaction analysis for assessing the value of Telecommunications. Scotia Capital concluded that these analyses were not determinative for reasons similar to those outlined regarding the relevance of these methodologies to the valuation of the Company on a consolidated basis.

Assumptions

As part of the analyses and investigations carried out in the preparation of the Valuation, Scotia Capital reviewed forward-looking budgets for Telecommunications as prepared by management of QuébecTel as well as detailed historical operating and financial information for the Telecommunications business of the Company. Following such review and detailed discussions with management of QuébecTel, Scotia Capital developed a view of the future unlevered after-tax free cash flows of Telecommunications (the “Base Case Scenario”) and reviewed the assumptions underlying it with management.

In developing this forecast, Scotia Capital segmented the operations of Telecommunications according to five separate revenue sources as follows: (i) local wireline; (ii) long distance wireline; (iii) cellular and paging; (iv) internet; and (v) other. Certain operating assumptions regarding, among other things, EBITDA margins were considered on a segmented basis by revenue source while other assumptions regarding, among other things, capital expenditures were considered on an aggregate basis. The major assumptions underlying the Base Case Scenario are outlined below.

Revenue

Local Wireline

After reviewing the current market environment in QuébecTel’s traditional service territory and precedents from the U.K. and the U.S. following the introduction of local competition, Scotia Capital believes that QuébecTel will be in a strong position to retain significant local wireline market share (residential and business) after the introduction of local competition within its service territory. This belief is based on numerous considerations including, among others; (i) the strength of QuébecTel’s brand name in its traditional service territory; (ii) QuébecTel’s demonstrated ability to retain market shares in other products (e.g. long distance) that have been subject to competition that are in excess of those of many other incumbent carriers in North America; (iii) the current regulatory environment that preserves QuébecTel’s monopoly on local wireline services until 2002; (iv) a unique market position that will allow QuébecTel to offer a full spectrum of bundled services to its customers; and (v) expectations for targeted price reductions incorporated in the Base Case Scenario. Based on the foregoing, Scotia Capital believes that QuébecTel should be able to retain overall local market share in excess of 90% for the next five years.

Long Distance Wireline

Scotia Capital believes that QuébecTel should retain significant long distance market share in its service territory based on the strength of QuébecTel’s brand name, opportunities to bundle long distance services with other product offerings and, as reflected in the Base Case Scenario, continued pricing declines for QuébecTel’s long distance service offerings. In developing the Base Case Scenario, Scotia Capital has assumed that QuébecTel’s long distance wireline market share would decline to approximately 89% in 2004 from its current position of 96%. Continued pressure on pricing, including the increasing influence of fixed pricing plans on revenue per minute statistics, is forecast to more than offset continued volume growth.

Cellular and Paging

Consistent with external market penetration and pricing forecasts for the rest of Canada, Scotia Capital believes that cellular penetration growth within QuébecTel’s service territory will represent a source of growth for Telecommunications over the next few years. However, due to the lower level of penetration of cellular and paging services within the region, Scotia Capital has assumed that overall market penetration will continue to lag other markets in Canada (most notably Ontario and central Quebec) by approximately three to five years. By 2004, the Base Case Scenario assumes market penetration of approximately 15% and 12% for cellular and paging products and services respectively. Further, owing to an expected greater degree of competition for wireless as compared to wireline

products, Scotia Capital forecasts that QuébecTel's combined cellular and paging market share will fall to approximately 80% by 2004 from 88% in 1999.

Internet

Scotia Capital believes that revenue from internet access provider operations (currently offered throughout the Province of Quebec) will represent another source of growth for Telecommunications as overall penetration of basic and high speed internet services is forecast to rapidly increase in the near-term. The Base Case Scenario reflects Scotia Capital's expectations that the internet operations of QuébecTel will produce double-digit revenue growth rates through 2003 as increased penetration and usage, combined with a shift towards higher-priced high speed internet connections from basic dial-up service, will more than offset anticipated price declines.

EBITDA Margins

In developing the Base Case Scenario, Scotia Capital forecast expected EBITDA margins for each of the principal revenue sources. In forecasting such margins, Scotia Capital assumed that the margins earned on traditional telecommunications products and service offerings (e.g. local and long distance wireline) would erode over time as a result of increased competition and further advances in telecommunications-related technology. Further, this decline would be accentuated as the product mix within Telecommunications gradually shifts towards lower-margin telephony services (e.g. internet). Taken as a whole, EBITDA margins are expected to decrease by approximately 3.0% over the next five years.

Capital Expenditures

Scotia Capital utilized management capital expenditure forecasts for 2000 through 2002 and grew these amounts at the rate of inflation for 2003 and beyond. These forecasts were developed by management based on their assessment of the level of expenditures required to maintain the existing network infrastructure and provide sufficient capital to finance future growth initiatives. The Base Case Scenario represents Scotia Capital's views regarding future growth initiatives. As such, Scotia Capital has forecast capital expenditures to be consistent with the revenue growth projections contained therein. Scotia Capital projected working capital requirements based on constant ratios to sales or cash operating expenses, as appropriate, which is consistent with management's projections.

Base Case Scenario — Financial Summary

A summary of the Base Case Scenario is provided below:

	<u>2000E</u>	<u>2001E</u>	<u>2002E</u>	<u>2003E</u>	<u>2004E</u>
	(\$ millions, except as noted)				
Revenue:					
Local Wireline	\$129.0	\$139.0	\$140.2	\$ 137.4	\$ 137.5
Long Distance Wireline	\$ 99.4	\$ 99.6	\$ 98.7	\$ 99.2	\$ 95.6
Cellular and Paging	\$ 37.1	\$ 39.5	\$ 45.8	\$ 51.2	\$ 57.9
Internet	\$ 20.1	\$ 24.5	\$ 28.7	\$ 32.1	\$ 34.3
Other (1)	<u>\$ 53.5</u>	<u>\$ 57.5</u>	<u>\$ 59.0</u>	<u>\$ 67.7</u>	<u>\$ 76.4</u>
Total Revenue	\$339.1	\$360.2	\$372.5	\$ 387.6	\$ 401.6
EBITDA	\$139.9	\$147.2	\$148.5	\$ 151.4	\$ 153.9
EBIDTA Margin	41.3%	40.9%	39.9%	39.1%	38.3%
Capital Expenditures	\$ 54.2	\$ 60.6	\$ 62.6	\$ 63.9	\$ 65.1

(1) Net of consolidation adjustments.

A summary of the Base Case Scenario's unlevered after-tax free cash flow projections is provided below:

	<u>2000E</u>	<u>2001E</u>	<u>2002E</u>	<u>2003E</u>	<u>2004E</u>
	(\$ millions, except as noted)				
EBIDTA	\$139.9	\$147.2	\$148.5	\$(151.4)	\$(153.9)
Unlevered Cash Taxes	\$(34.2)	\$(36.4)	\$(36.3)	\$(36.7)	\$(37.0)
Capital Expenditures	\$(54.2)	\$(60.6)	\$(62.6)	\$(63.9)	\$(65.1)
Investment in Working Capital	\$(1.9)	\$(1.9)	\$(2.3)	\$(2.1)	\$(2.1)
Unlevered After-tax Free Cash Flows	\$49.6	\$48.3	\$47.4	\$48.7	\$49.6

Discount Rates

Projected unlevered after-tax free cash flows for Telecommunications were discounted based on the estimated weighted average cost of capital ("WACC") for the telecommunications business of QuébecTel. The WACC was chosen after determining, within a range of sensitivities, the appropriate cost of equity capital, after-tax cost of debt capital and optimal capital structure of Telecommunications. In determining the appropriate cost of equity capital, Scotia Capital used the capital asset pricing model ("CAPM") which calculates the cost of equity capital with reference to the risk-free rate of return, the volatility of equity prices relative to a benchmark ("beta") and equity market risk premiums. Scotia Capital selected an unlevered beta after reviewing the betas of selected public Canadian telecommunications companies, including QuébecTel, relative to the TSE 300 Index. This unlevered beta was then levered based on the selected optimal capital structure. The cost of debt utilized is based on the risk-free rate of return and an appropriate borrowing spread to reflect the credit risk of the business segment. The optimal capital structure was chosen based upon a review of capital structures of telecommunications companies in Canada and the U.S. and is expressed using market values.

The assumptions used by Scotia Capital in calculating the WACC and the resulting range of discount rates are outlined below:

Cost of Debt

Risk Free Rate (10-year Government of Canada bonds)	6.09%
Borrowing Spread	0.75%
Tax Rate	36.9%
After Tax Cost of Debt	4.32%

Cost of Equity

Risk Free Rate (10-year Government of Canada bonds)	6.09%
Market Risk Premium	5.00%
Unlevered Beta	0.58
Optimal Capital Structure	25% Debt/75% Equity
Levered Beta	0.70
After Tax Cost of Equity	9.60%

WACC for Telecom	8.28%
------------------------	-------

Based on the foregoing and taking into account sensitivity analyses on each element of the WACC calculation, Scotia Capital selected a range of discount rates of 8.25% to 8.50%.

Terminal Value

Scotia Capital relied upon the capitalization in perpetuity of unlevered after-tax free cash flows in the final year of the forecast period to calculate the value of Telecommunications beyond 2004. This approach capitalized projected 2005 unlevered after-tax free cash flows at the WACC less the projected after-tax unlevered free cash flow growth factor of 2.00% to 2.50% determined by reference to an expected long-term inflation rate of 2.0% and the anticipated long-term real growth prospects of the telecommunications business of QuébecTel beyond 2004. Scotia Capital also utilized multiples of 2004 EBITDA of 5.75x — 6.25x as a second approach to determine the value of Telecommunications beyond 2004. In Scotia Capital's judgment, such multiples were consistent with multiples that may reasonably be expected to be paid in a transaction involving the sale of 100% of a company having the same risks and growth prospects as Telecommunications.

Sensitivity Analysis

As part of the DCF analysis, Scotia Capital performed sensitivity analyses on certain key assumptions. The results of these analyses are outlined below:

<u>Variable</u>	<u>Sensitivity (2)</u>	<u>Impact (1)</u>	
		<u>Low</u>	<u>High</u>
		(\$ millions) (1)	
Discount Rate	+/-0.25% from mid-point of selected range	\$18.4	\$22.4
Growth Rate of 2004 UFCF.....	+/-0.25% terminal growth rate	\$10.2	\$13.1
Market Shares:			
Local	+/-2.0% per year	\$ 6.5	\$ 7.1
Long distance	+/-2.0% per year	\$ 4.8	\$ 5.3
Wireless	+/-2.0% per year	\$ 3.6	\$ 4.0
Growth in Number of Internet Subscribers	+/-5.0% per year	\$ 5.9	\$ 6.6
EBITDA Margin	+/-2.0% per year	\$42.7	\$46.6

(1) Expressed in enterprises values.

(2) Change expressed in terms of absolute percentage points for each year of the forecast period including the terminal period.

DCF Analysis Valuation Summary

The resulting enterprise value range of Telecommunications using the DCF analysis was \$762.0 million to \$831.4 million.

Out of Franchise Telecommunications

In valuing the Out-of-Franchise Telecommunications business of QuébecTel (telecommunications and related products and services of the Company outside of its traditional service territory but excluding internet services which are valued as part of Telecommunications), Scotia Capital considered both the investment in fibre-optic infrastructure that has been made by QuébecTel outside its service territory as well as the potential upside that the Company may be in a position to capture should restrictions on the Company's ability to operate a network-based telecommunications business outside of its territory be resolved. In assessing this incremental value, Scotia Capital considered separately that portion of the value that would be realizable by the Company in the event that the restrictions (related to limitations on foreign ownership) were removed in their entirety (either as a result of the Amalgamation or otherwise). This value is considered below in "Acquisition Synergies".

Scotia Capital employed two principal valuation methodologies to value the Out-of-Franchise Telecommunications business:

- (i) precedent transactions analysis; and
- (ii) discounted cash flow analysis.

Scotia Capital also reviewed publicly-traded comparables companies analysis but did not consider this approach to be determinative in valuing the Out-of-Franchise Telecommunications business given the limited number of comparable publicly-traded companies and absence of "en bloc" valuation metrics.

The precedent transaction analysis focussed on reviewing and assessing the prices paid in precedent market transactions involving assets of a similar nature and at a similar stage of development as those of QuébecTel. The Company's current infrastructure consists of approximately 25,000 strand kilometers of fibre-optic cables (split approximately one-half inter-city and one-half intra-city) and related gross investment in property, plant and equipment of approximately \$10.5 million. In forming its views as to value, Scotia Capital considered, on the one hand, the strategic location of the network and the low cost at which the Company has been able to develop its network and, on the other hand, the high degree to which the network is currently dark and, in some locations, the need for incremental expenditures to complete the network. Based on this review, Scotia Capital selected an enterprise value for Out-of-Franchise Telecommunications based on precedent transactions analysis of \$75.0 million.

Scotia Capital also prepared a discounted cash flow analysis to consider the value of the Out-of-Franchise Telecommunications business in the event that the current restrictions on the Company's ability to operate the network were resolved via a newly created jointly owned affiliate. This analysis does not include potential incremental value

that may be realizable should the restrictions (e.g. limitations related to foreign ownership) be lifted entirely. The DCF analysis was developed based on Scotia Capital's judgment following detailed discussions with management of QuébecTel regarding its outlook and strategies for exploiting these opportunities as well as after an extensive review of business plans prepared on this subject. The analysis employed a ten-year financial forecast of unlevered after-tax free cash flows and a valuation assessment that employed terminal value calculations relying principally on the capitalization into perpetuity of terminal year cash flows and a discount rate of 13.75% to 15.75%. Based on the DCF analysis as well as a review of sensitivity analyses on the key drivers underlying such analysis, Scotia Capital selected an enterprise value of approximately \$100.0 million.

The resulting enterprise value range of Out-of-Franchise Telecommunications was \$75.0 million to \$100.0 million.

Dot.Com

In assessing the value of Dot.Com (information technology), Scotia Capital relied upon a variety of valuation methodologies including:

- (i) publicly-traded comparable companies analysis;
- (ii) precedent transaction analysis; and
- (iii) values implied by recent acquisition costs.

In light of the differences in the respective business models and strategic focus of the principal components of Dot.Com, Scotia Capital considered the four principal subsidiaries separately.

Scotia Capital reviewed selected comparable publicly-traded companies and derived implicit multiples based on their current market values. Multiples reviewed included enterprise value to 1999 and forecast 2000 revenue and enterprise value to 1999 and forecast 2000 EBITDA. Scotia Capital selected appropriate ranges of such multiples and derived implicit values for each of the businesses as considered appropriate in our judgment. Scotia Capital also conducted precedent transaction analysis in order to assess the reasonableness of the enterprise values implied by the publicly-traded comparable companies analysis. Scotia Capital believes that the operations of QuébecTel Zenon Inc. and QuébecTel AMI Inc. are most appropriately valued on a weighted multiple basis according to their two core lines of business: (i) fulfillment services/product sales (value-added resell); and (ii) systems integration and network services. QuébecTel Microcode Inc. was valued based on a multiple of revenue and EBITDA whereas R.G.B. Technologies Inc. was valued on a multiple of revenue basis judged to be consistent with similar web enabling businesses. A review of the values implied by acquisition costs of QuébecTel for such businesses was employed as a check for reasonableness.

Based on the foregoing analyses, Scotia Capital's selected enterprise value range for Dot.Com was \$18.6 million to \$29.6 million.

Cable

Scotia Capital evaluated the Cable businesses of QuébecTel using the following valuation methodologies:

- (i) publicly-traded comparable companies analysis; and
- (ii) precedent transaction analysis.

QuébecTel's cable businesses, operated through several affiliated entities, are in more rural and less prosperous parts of the country than the businesses of many of the companies which are public market comparables or were involved in precedent transactions. As a result, traditional cable industry valuation metrics (e.g. enterprise value per subscriber) were adjusted to reflect a lower level of EBITDA per subscriber experienced by Câble-Axion. In addition, we considered enterprise value to 1999 and 2000 EBITDA multiples. Due to Câble-Axion's partial interest in the Cable businesses, Scotia Capital evaluated the enterprise value of the Cable business and subtracted third-party debt and equity and adjusted the value for preferred shares and debt securities of Câble-Axion held by QuébecTel. Following such adjustments, Scotia Capital's selected value range was \$3.0 to \$5.5 million.

Electronic Business Solutions

In assessing the value of Electronic Business Solutions, Scotia Capital relied upon a variety of valuation methodologies including:

- (i) publicly-traded comparable companies analysis;
- (ii) precedent transaction analysis; and
- (iii) values implied by recent acquisition costs.

Each of the four principal subsidiaries with Electronic Business Solutions, Groupe Fortune 1000 Inc., DynEC Inc., DM Diffusion Multimedia Inc., and Swap-T Inc., were valued separately given differences in business models and strategic focus as well as QuébecTel's varying degree of ownership. However, in assessing the value of these individual components, Scotia Capital did consider potential synergies that the Company could realized from integrating certain of these investments with each other as well as with other entities within QuébecTel. Subject to the foregoing, none of the investments in Electronic Business Solutions, considered on its own, is material to the valuation of QuébecTel. In each case, the enterprise value of the components reflect only QuébecTel's proportionate interest.

Scotia Capital's selected enterprise value range for Electronic Business Solutions was \$11.8 million to \$18.8 million.

Other

Scotia Capital also considered other additions to or deductions from value related to, among other things, municipal tax refunds, proceeds from disposition of non-core investments, potential litigation and environmental liabilities. Scotia Capital attributed \$7.1 million to \$8.1 million of enterprise value to these other assets and liabilities.

Acquisition Synergies

Scotia Capital considered benefits that a prospective purchaser might realize from the acquisition of 100% of the Shares including, but not limited to, benefits arising from revenue enhancement, cost savings, and capital expenditure reductions. For the purposes of the Valuation, Scotia Capital estimated the portion of such synergies that a purchaser might pay for if an open auction of QuébecTel were undertaken. Scotia Capital estimated this amount by reviewing with management of the Company the potential purchasers of QuébecTel (assuming an open auction environment) and their respective abilities to realize synergies. Following such review, Scotia Capital concluded that Bell Canada, or one of its affiliates or related parties (collectively, "Bell"), would be in a position to realize the greatest synergies from an acquisition of the Company. Other logical purchasers for the Company included, most notably, other Canadian facilities-based telecommunications companies. To estimate the amount of synergies that Bell might pay for in an open auction environment, Scotia Capital considered the synergies that could be realized by the next most logical purchaser. In general, Scotia Capital considered two potential sources of synergies: (i) cost savings; and (ii) incremental value related to the Out-of-Franchise Telecommunications business that a purchaser may be in a position to realize by the removal of the regulatory restrictions that currently obstruct the Company's potential outside of its traditional service territory and in enhancing QuébecTel's ability to offer national telecommunication solutions to Quebec-based business customers.

In determining the amount of synergies to be included in the Valuation, Scotia Capital employed two separate DCF analyses for each type of synergy. First, Scotia Capital applied a DCF analysis utilizing similar assumptions to those utilized in developing the value of Telecommunications to value synergies related to cost reductions that were estimated to be approximately \$7 million by QuébecTel management. Second, Scotia Capital considered the incremental value that a purchaser might realize in connection with Out-of-Franchise Telecommunications and valued this amount using similar DCF assumptions employed to value this line of business.

Based on the foregoing, Scotia Capital included in its Valuation range \$66.1 million to \$111.11 million of enterprise value for synergies that a potential purchaser might pay for if an open auction were undertaken.

Distinctive Material Value Accruing from the Amalgamation

In accordance with the Policies, Scotia Capital considered whether any distinctive material value would accrue to BCT.TELUS as a result of successfully completing the Amalgamation. Following its review, Scotia Capital concluded that no such value that is not already appropriately reflected in the Valuation would accrue to BCT.TELUS.

Valuation Summary

The following is a summary of the range of fair market values of the Shares resulting from the NAV analysis:

	Value Range		Per Share	
	Low	High	Low	High
	(\$ millions)		(fully diluted)	
Telecommunications	\$ 762.0	\$ 831.4	\$ 20.41	\$22.27
Out-of-Franchise Telecommunications	\$ 75.0	\$ 100.0	\$ 2.01	\$ 2.68
Doc.Com	\$ 18.6	\$ 29.6	\$ 0.50	\$ 0.79
Cable	\$ 3.0	\$ 5.5	\$ 0.08	\$ 0.15
Business Solutions	\$ 11.8	\$ 18.8	\$ 0.32	\$ 0.50
Other	\$ 7.1	\$ 8.1	\$ 0.19	\$ 0.22
	\$ 877.5	\$ 993.4	\$ 23.50	\$26.61
Less Consolidated Net Debt (1)	<u>\$(160.3)</u>	<u>\$(160.3)</u>	<u>\$ (4.29)</u>	<u>\$ (4.29)</u>
“Stand-alone” Net Asset Value	\$ 717.2	\$ 833.1	\$ 19.21	\$22.31
Synergies	\$ 66.1	\$ 111.1	\$ 1.77	\$ 2.97
“En Bloc” Net Asset Value	<u>\$ 783.3</u>	<u>\$ 944.3</u>	<u>\$ 20.98</u>	<u>\$25.29</u>

(1) Including proceeds of \$21.0 million from exercise of options.

Valuation Conclusion

Based upon and subject to the analyses and assumptions set out above, Scotia Capital is of the opinion that the fair market value of the Shares as of the date hereof is in the range of \$21.00 to \$25.25 per share.

Yours very truly,

Scotia Capital Inc.

Scotia Capital Inc.

SCHEDULE C

FAIRNESS OPINION OF CIBC WORLD MARKETS INC.

DATED MARCH 30, 2000



CIBC WORLD MARKETS INC.
600 de Maisonneuve Blvd. West
Suite 3050
Montréal, Québec
H3A 3J2
Telephone: (514) 847-6300

Private & Confidential

March 30, 2000

The Independent Committee of the Board of Directors
QuébecTel Group Inc.
6 Jules A. Brilliant St.
Rimouski, Quebec
G5L 7E4

To the Independent Committee:

We understand that BCT. TELUS Communications Inc. ("BCT.TELUS"), the QuébecTel Group Inc. ("QuébecTel" or the "Company") and Anglo-Canadian Telephone Company ("Anglo-Canadian"), which is controlled by GTE Corporation ("GTE"), have entered into a merger agreement (the "Merger Agreement") whereby QuébecTel will effectively combine its business with that of BCT.TELUS (the "Amalgamation"). The Amalgamation contemplates a series of transactions following which shareholders of QuébecTel other than Anglo-Canadian (the "Minority Shareholders") will receive \$23.00 in cash per common share of QuébecTel (the "Common Shares") and BCT.TELUS and Anglo-Canadian will beneficially own respectively 70% and 30% of the issued and outstanding common shares of the company resulting from the Amalgamation. The Amalgamation is conditional upon, among other things, receipt of approval of the shareholders of QuébecTel (the "Shareholders") to permit the consummation of the Amalgamation at a meeting of the Shareholders called for that purpose (the "Special Meeting"). The terms of the Amalgamation will be more fully described in a management proxy circular to be sent to Shareholders in connection with the Special Meeting.

The board of directors of the Company (the "Board") has appointed a committee of independent directors of the Company (the "Independent Committee") to consider and assess the terms of the Amalgamation and to report thereon to the Board. The Independent Committee has retained CIBC World Markets Inc. ("CIBC World Markets") as the Independent Committee's financial advisor in connection with the Amalgamation pursuant to an agreement between the Company, the Independent Committee and CIBC World Markets dated August 23, 1999 (the "Engagement Agreement"). CIBC World Markets' duties include the preparation and delivery of an opinion (the "Opinion") to the Independent Committee as to the fairness, from a financial point of view, of the consideration to be received by the Minority Shareholders pursuant to the Amalgamation. CIBC World Markets has not prepared a valuation of the Company or any of its respective securities or assets. Moreover, this Opinion is not, and should not be construed as, a valuation of the Company or any of its securities or assets.

CIBC World Markets will receive a fee from the Company for its services which include rendering the Opinion. In addition, the Company has agreed to indemnify CIBC World Markets for certain liabilities arising out of CIBC World Markets' engagement under the Engagement Agreement.

Relationship with Interested Parties

CIBC World Markets is not an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of the Company, BCT.TELUS, Anglo-Canadian or GTE. Within the past two years, CIBC World Markets has not underwritten any securities for any of the Company, BCT.TELUS, Anglo-Canadian or GTE.

There are no understandings or agreements between CIBC World Markets and any of the Company, BCT.TELUS, Anglo-Canadian or GTE with respect to any future business dealings. CIBC World Markets may in the future, in the ordinary course of business, perform financial advisory or investment banking services for any of these companies or their successors.

CIBC World Markets acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Company, BCT.TELUS or GTE or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions for such companies or clients from whom it received or may receive compensation. CIBC World Markets, as an investment dealer, conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Company, BCT.TELUS, GTE or the Amalgamation.

CIBC World Markets' Credentials

CIBC World Markets is one of Canada's largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. CIBC World Markets provides services to companies in the telecommunications sector directly through its research analysts and through investment banking professionals. CIBC World Markets has participated in a sizeable number of transactions involving companies in the telecommunications sector and has extensive experience in preparing fairness opinions.

The Opinion expressed herein is the opinion of CIBC World Markets. The form and content hereof has been prepared by professionals specializing in the telecommunications sector and investment banking activities, and has been reviewed and approved by a committee of the managing directors of CIBC World Markets, all of whom are experienced in merger and acquisition matters.

Scope of Review

In connection with rendering the Opinion, we have reviewed and relied upon or carried out, among other things, the following:

1. draft proposal letter of BCT.TELUS describing the Amalgamation dated March 17, 2000;
2. draft Merger Agreement among BCT.TELUS Communications Inc., QuébecTel Group Inc. and Anglo-Canadian Telephone Company dated March 29, 2000;
3. audited financial statements of QuébecTel for the five years ended December 31, 1995, 1996, 1997, 1998 and 1999;
4. annual reports of QuébecTel for the five years ended December 31, 1995, 1996, 1997, 1998 and 1999;
5. unaudited interim financial statements of QuébecTel for the three month periods ended March 31, 1999, June 30, 1999 and September 30, 1999;
6. annual information forms of QuébecTel for the three years ended December 31, 1997, 1998 and 1999;
7. the Notices of Annual General Meeting of Shareholders and Information Circulars of QuébecTel for the three years ended December 31, 1997, 1998 and 1999;
8. financial information and operational statistics for each significant business segment prepared by management;
9. draft financial statements for each of SWAP-T Inc. and DynEC Inc. for the year ended December 31, 1999;
10. draft financial statements for Groupe Fortune 1000 Inc. for the three-month period ended December 31, 1999 and for the year ended September 30, 1999;
11. audited financial statements for the Consortium Câble-Axion Digital Inc., for Câble-Axion Digital Inc., for Câble-Axion Quebec Inc. and for QuébecTel AMI Inc. for the year ended August 31, 1999;
12. draft audited financial results of QuébecTel Zénon Inc. for the seven-month period ended December 31, 1999;
13. unaudited financial statements for RGB Technologies Inc., DM Diffusion Multimedia Inc. and for QuébecTel Microcode Inc. for the period ended December 31, 1999;
14. report to the Board of Directors of QuébecTel prepared by management and dated February 16, 2000 containing segmented fiscal 1999 financial information;

15. 2000 business plans and budgets for QuébecTel prepared by management, including detailed information for each of its material subsidiaries and investments, dated February 16, 2000;
16. financial forecast for years 2000 to 2004 prepared by management, dated February 28, 2000;
17. detailed presentations and business plans concerning opportunities to provide telecommunications and related services to customers outside of QuébecTel's traditional service territory;
18. report prepared by KPMG dated October 7, 1999 regarding the amalgamation of certain subsidiaries of QuébecTel;
19. discussions with senior management of the Company concerning the Company's current business operations, financial condition and results, and prospects and forecasts;
20. discussions with senior management of the Company regarding future prospects for the out of Franchise Expansion;
21. discussions with senior management of GTE;
22. discussions with the auditors of QuébecTel;
23. discussions with the external counsel of QuébecTel;
24. public information relating to the business, operations, financial performance and stock trading history of QuébecTel and other selected public companies considered by us to be relevant;
25. public information regarding the telecommunications, information technology, cable, internet service providers and other technology industries;
26. certain recent public transactions in industries in which the Company's business segments operate that we believe to be generally comparable in certain aspects to the Amalgamation and their trading multiples and takeover premiums;
27. a review of recent investment industry research reports on the Company and selected comparable companies and general industry reports;
28. representations contained in certificates addressed to us, dated as of the date hereof, from senior officers of QuébecTel as to the completeness and accuracy of the information upon which the Opinion is based;
29. such other corporate, industry and financial market information, investigations and analyses as CIBC World Markets considered necessary and appropriate in the circumstances; and
30. Review of the draft valuation report on the value of the Common Shares prepared by Scotia Capital Inc. and dated March 29, 2000.

CIBC World Markets has not, to the best of its knowledge, been denied access by the Company to any information concerning the Company requested by CIBC World Markets.

Assumptions and Limitations

We have relied upon and have assumed the accuracy, completeness and fair presentation of all financial and other information, data, advice, opinions and representations obtained by us from public sources or otherwise made available to us, discussed with or reviewed by or for us, and our Opinion is conditional upon such accuracy or completeness. Subject to the exercise of professional judgement, CIBC World Markets has not independently verified such information or undertaken an independent evaluation or appraisal or any of the assets or liabilities of the Company or been furnished with any such evaluation or appraisal, other than the draft valuation report prepared by Scotia Capital Inc. With respect to the financial and operating information and plans relating to the expected future performance of the Company, CIBC World Markets has assumed that they have been reasonably prepared and reflect the best currently available estimates and judgement of the Company's management as to the expected future financial performance of the Company.

Senior management of the Company has represented to us, in a certificate delivered as at the date hereof, amongst other things, that the information, opinions and other materials (the "Information") provided to us by or on behalf of the Company are complete and correct at the date the Information was provided to us and that since the date of the

Information, there has been no material change, financial or otherwise, in the position of the Company, or in its assets, liabilities (contingent or otherwise), business or operations and there has been no change of any material fact which is of a nature as to render the Information untrue or misleading in any material respect.

In preparing the Opinion, CIBC World Markets has made several assumptions, including that the Amalgamation will be consummated on the terms and conditions described in the draft agreements referenced in the Scope of Review section of this Opinion without waiver of the terms or conditions therein.

CIBC World Markets necessarily bases the Opinion on securities markets, economic, financial and general business conditions as they exist and can be evaluated on, and on the information made available to us as of the date hereof. In its analysis and in preparing the Opinion, CIBC World Markets has made many assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of any party involved in the Amalgamation including, without limitation, that all of the conditions required to carry out the Amalgamation will be met.

CIBC World Markets renders the Opinion as of the date hereof and CIBC World Markets disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion that may come or be brought to CIBC World Markets' attention after the date hereof. Without limiting the foregoing, if there is any material change in any fact or matter affecting the Opinion after the date hereof, CIBC World Markets reserves the right to change, modify or withdraw the Opinion.

CIBC World Markets, as financial advisor, has rendered the Opinion to the Independent Committee for the sole use and benefit of the Board in its consideration of the Amalgamation and, except as expressly provided in the Engagement Agreement, the Opinion may not be referred or disclosed to or relied upon by any other person, or used for any other purpose, in whole or in part, without CIBC World Markets' prior written consent.

Conclusion

CIBC World Markets is of the opinion as of the date hereof, based upon and subject to the foregoing, that the consideration to be received by the Minority Shareholders pursuant to the Amalgamation is fair from a financial point of view.

Yours truly,

A handwritten signature in black ink that reads "CIBC World Markets Inc." in a cursive, slightly slanted script.

CIBC WORLD MARKETS INC.

SCHEDULE D
ANNUAL INFORMATION FORM OF QUÉBECTEL
FOR THE YEAR ENDED DECEMBER 31, 1999

SCHEDULE E
MANAGEMENT PROXY CIRCULAR OF QUÉBECTEL
FOR THE 2000 ANNUAL MEETING

SCHEDULE F
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF QUÉBECTEL
FOR THE YEAR ENDED DECEMBER 31, 1999

SCHEDULE G

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF QUÉBECTEL

FOR THE QUARTER ENDED MARCH 31, 2000

