

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. Information has been incorporated by reference in these Offers to Purchase and Circular from documents filed with securities commissions or similar authorities in Canada (the permanent information record in Québec), copies of which may be obtained on request without charge from the Vice-President and Corporate Secretary; TELUS Corporation (telephone 604-432-4212).

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THESE OFFERS TO PURCHASE AND CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

TELUS Corporation together with its wholly-owned indirect subsidiary, 612459 B.C. Ltd.

Offers to Purchase

all of the outstanding

Class A Non-Voting Shares, Class B Shares, Class C Subordinate Voting Shares and Class D Subordinate Voting Shares of

Clarnet Communications Inc.

for

at the election of the holder,

- Cdn\$70.00 in cash for each Class A Non-Voting Share, Class C Subordinate Voting Share or Class D Subordinate Voting Share or Cdn\$0.70 in cash for each Class B Share;
- 1.636 TELUS Non-Voting Shares for each Class A Non-Voting Share, Class C Subordinate Voting Share or Class D Subordinate Voting Share or 0.01636 TELUS Non-Voting Share for each Class B Share; or
- a combination of the foregoing;

subject to proration and to 50% of the total consideration for the Offers being satisfied by the payment of cash and 50% of the total consideration for the Offers being satisfied by the issue of TELUS Non-Voting Shares, as set out herein.

The Offers by TELUS Corporation ("TELUS") and/or its wholly-owned indirect subsidiary 612459 B.C. Ltd. to purchase all of the outstanding Class A Non-Voting Shares, Class B Shares, Class C Subordinate Voting Shares and Class D Subordinate Voting Shares (other than those owned by the Offerors), including those which may become outstanding on the exercise of options, warrants, convertible debentures or other rights to purchase or acquire such shares of Clarnet Communications Inc. ("Clarnet") will be open for acceptance until 12:01 a.m. (local time at the place of deposit) on Thursday, October 19, 2000, unless withdrawn or extended.

The Offers are conditional upon certain conditions which are described under "Conditions of the Offers" in Section 4 of the Offers to Purchase, including, without limitation, there being validly deposited under the Offers and not withdrawn prior to the expiration of the Offers that number of Clarnet Shares which represents at least 66⅔% of each class of Clarnet Shares outstanding on a fully-diluted basis.

The board of directors of Clarnet has unanimously determined that the Offers are in the best interests of Clarnet and the consideration offered thereunder is fair to the holders of Clarnet Shares and has unanimously recommended that such Shareholders accept the Offers and tender their Clarnet Shares hereto. Certain Shareholders, including certain officers, holding an aggregate of more than 91.0% of the voting shares of Clarnet, and more than 35.1% of the economic interest in Clarnet, being comprised of approximately 8.96% of the Class A Non-Voting Shares and more than 66⅔% of each of the Class B Shares, Class C Subordinate Voting Shares and Class D Subordinate Voting Shares, have entered into lock-up agreements or other agreements and agreed to tender, and not withdraw, their Clarnet Shares in acceptance of the Offers.

The TELUS Non-Voting Shares are listed and posted for trading on The Toronto Stock Exchange. The TSE has conditionally approved the listing of the TELUS Non-Voting Shares issuable pursuant to the Offers, subject to TELUS fulfilling all the requirements of such exchange. Application will be made to have the TELUS Non-Voting Shares listed on the NYSE. The closing price of the Class A Non-Voting Shares of Clarnet on August 18, 2000, the last trading day prior to the announcement of the Offers, was \$45.80 on the TSE and US\$31.00 on NASDAQ. The closing price of TELUS Non-Voting Shares on August 18, 2000, the last trading day prior to the date of the announcement of the Offers, was \$43.25 on the TSE and the weighted average trading price of the TELUS Non-Voting Shares on that same day was \$42.79 on the TSE. The closing price of TELUS Non-Voting Shares on September 18, 2000 was \$39.60 on the TSE.

Certain Shareholders who receive TELUS Non-Voting Shares under the Offers will be entitled to make an election in the Letter of Transmittal which will generally allow them to obtain, for Canadian federal income tax purposes, a tax-deferred "rollover" in respect of the portion of their Clarnet Shares exchanged for TELUS Non-Voting Shares. See "Canadian Federal Income Tax Considerations" in the Circular.

Shareholders who wish to accept an Offer must properly complete and execute the accompanying Letter of Transmittal or a manually executed facsimile and deposit it, together with certificates representing their Clarnet Shares, in accordance with the instructions in the Letter of Transmittal. Shareholders who wish to accept an Offer and whose certificates are not immediately available may follow the procedure for guaranteed delivery described under "Manner of Acceptance — Procedure for Guaranteed Delivery" in Section 3 of the Offers to Purchase. Shareholders whose Clarnet Shares are registered in the name of an investment dealer, stockbroker, bank, trust company or other nominee should contact that nominee for assistance if they wish to accept an Offer.

Questions and requests for assistance may be directed to TD Securities Inc. and J. P. Morgan Securities Canada Inc. in Canada and J. P. Morgan Securities Inc. and TD Securities (U.S.A.) Inc. in the United States, as Dealer Managers, and Georgeson Shareholder Communications Inc., as information agent, Montreal Trust Company of Canada, as the Depositary, or Computershare Investor Services, LLC, as the U.S. Forwarding Agent. Additional copies of the Offers to Purchase and Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained without charge on request from the Depositary at its offices shown on the last page of the Offers to Purchase and Circular.

The Dealer Managers for the Offers are:

In Canada:

TD Securities Inc.

J. P. Morgan Securities Canada Inc.

In the United States:

J. P. Morgan Securities Inc.

TD Securities (U.S.A.) Inc.

This document is important and requires your immediate attention. If you are in any doubt as to how to deal with it, you should consult your investment dealer, stockbroker, bank manager, lawyer or other professional advisor.

September 20, 2000

(See "Notice to Shareholders in the United States" — cover continued on following page)

Notice to Shareholders in the United States

The Offers are made for the securities of a Canadian corporation and the TELUS Non-Voting Shares offered hereby are offered by a Canadian issuer. The Offers are subject to, and TELUS is permitted under, a multi-jurisdictional disclosure system adopted by the United States to propose the Offers to Purchase and Circular and to offer securities pursuant thereto in accordance with, disclosure requirements of Canada which are different from those of the United States.

The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that TELUS, Acquisition Co. and Clearnet are incorporated under the laws of Canada or a province thereof, that some or all of their respective officers and directors are residents of Canada, that some or all of the experts named in the registration statement may be residents of Canada, that certain of the Dealer Managers are residents of Canada, and that all or a substantial portion of the assets of TELUS, Acquisition Co. and Clearnet and of said persons may be located outside the United States.

Holders of Clearnet Shares should be aware that a tender of Clearnet Shares under the Offers by, or the acquisition by TELUS or Acquisition Co. of Clearnet Shares from, a holder of Clearnet Shares may have tax consequences both in the United States and Canada. Such consequences for holders of Clearnet Shares who are resident in or citizens of the United States may not be fully described herein. Such holders of Clearnet Shares are urged to consult their tax advisors.

Forward Looking Statements

Certain statements contained in the accompanying Offers to Purchase to Clearnet Shareholders and Circular under “Plans for Clearnet”, “Additional Information Concerning TELUS—Risk Factors—Expenditures, Capital and Demand for Services”, “—Economic Fluctuations”, “—No Voting Rights for TELUS Non-Voting Shares”, “—Increasing Competition”, “—Technology”, “—PCS Operations”, “—Regulatory Uncertainty”, “—Radio Frequency Emission Concerns”, “—Risks of Integration” and “TELUS Corporation Unaudited Pro Forma Consolidated Financial Statements” in the Circular, in addition to certain statements contained elsewhere in this document, are “forward-looking statements” and are prospective. Such forward-looking statements are subject to risks, uncertainties and other factors, certain of which are beyond TELUS’ or Acquisition Co.’s control, including: the impact of general economic conditions in Canada and the service territories of TELUS and Clearnet in Canada; competition on wireless services (cellular), local and long distance services, data and internet services and within the Canadian telecommunications industry generally; adverse regulatory action; technological change; taxation; availability of sufficient funding; generation of operating cashflow sufficient to provide financial viability; ability to integrate the acquisition of Clearnet, stock market volatility and market valuations of companies with respect to the Offers and the final valuations thereof; and obtaining required approvals of regulatory authorities. TELUS’ actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, TELUS will derive therefrom.

Exchange Rate Information

TELUS publishes its consolidated financial statements in Canadian dollars. In this Circular, except where otherwise indicated, all references to “dollars” or “\$” are to Canadian dollars. The Bank of Canada noon spot exchange rate (the “Noon Spot Rate”) on September 18, 2000 was US \$ 1.4891 = Cdn \$1.00. The following table sets forth, for the fiscal years and dates indicated, certain exchange rate information based on the Noon Spot Rate:

December 31, 1998	1.5305
December 31, 1999	1.4433
March 31, 2000	1.4535
June 30, 2000	1.4793
August 21, 2000	1.4769

In this document, “fiscal year” means a fiscal year of TELUS ended December 31 and a reference to a specific fiscal year is a reference to the fiscal year ended on December 31 of the year named.

Enforceability Of Certain Civil Liabilities In The United States

TELUS is a company organized under the laws of British Columbia, Canada. Many of its directors, controlling persons, officers and experts named herein are residents of Canada or other jurisdictions outside the United States and a substantial portion of TELUS’ assets are located outside the United States. As a result, it may be difficult for shareholders to effect service within the United States upon those directors, controlling persons, officers and experts who are not residents of the United States, or to realize in the United States upon judgments of courts of the United States predicated upon the civil liability provisions of the United States federal securities laws. TELUS has been advised by Farris, Vaughan, Wills & Murphy, its Canadian counsel, that, in such counsel’s opinion, there is doubt as to the enforceability in Canada against TELUS or its directors, controlling persons, officers and experts, who are not residents of the United States, in original actions for enforcement of judgments of United States courts, of liabilities predicated solely upon United States federal securities laws.

This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. None of the Offers are being made to, nor will deposits be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. However, the Offerors or their agents may, in their sole discretion, take such action as they deem necessary to extend the Offers to Shareholders in any such jurisdiction.

TABLE OF CONTENTS

<p>QUESTIONS AND ANSWERS ABOUT THE OFFERS AND THE PROPOSED ACQUISITION i</p> <p>WHERE YOU CAN OBTAIN MORE INFORMATION iv</p> <p>SUMMARY 1</p> <p>DEFINITIONS 7</p> <p>OFFERS TO PURCHASE 12</p> <p> 1. The Offers 12</p> <p> 2. Time for Acceptance 14</p> <p> 3. Manner of Acceptance 14</p> <p> 4. Conditions of the Offers 17</p> <p> 5. Extension, Variation or Change in the Offers 19</p> <p> 6. Payment for Deposited Clearnet Shares 20</p> <p> 7. Acceptance Alternative for Holding Companies 22</p> <p> 8. Withdrawal of Clearnet Shares 23</p> <p> 9. Mail Service Interruption 24</p> <p> 10. Reorganization, Dividends and Distributions 25</p> <p> 11. Notice and Delivery 25</p> <p> 12. Acquisition of Clearnet Shares Not Deposited 26</p> <p> 13. Other Terms of the Offers 26</p> <p>CIRCULAR 28</p> <p>BACKGROUND TO THE OFFERS 28</p> <p>PLANS FOR CLEARNET 33</p> <p>SOURCE OF FUNDS 34</p> <p>SELECTED PRO FORMA FINANCIAL INFORMATION 35</p> <p>CLEARNET 36</p> <p>MATERIAL CHANGES AND OTHER INFORMATION CONCERNING CLEARNET 36</p> <p>TELUS AND ACQUISITION CO. 36</p> <p>ADDITIONAL INFORMATION CONCERNING TELUS 38</p> <p>PRICE RANGE AND TRADING SUMMARY OF CLEARNET NON-VOTING SHARES 46</p>	<p>OWNERSHIP OF AND TRADING IN SECURITIES OF CLEARNET 46</p> <p>COMMITMENTS TO ACQUIRE SECURITIES OF CLEARNET 47</p> <p>ARRANGEMENTS, AGREEMENTS OR UNDERSTANDINGS 47</p> <p>EFFECT OF THE OFFER ON MARKET AND LISTINGS 48</p> <p>REGULATORY APPROVALS 48</p> <p>ACQUISITION OF CLEARNET SHARES NOT DEPOSITED UNDER THE OFFERS 51</p> <p>CANADIAN FEDERAL INCOME TAX CONSIDERATIONS 55</p> <p>UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS 59</p> <p>OTHER MATTERS RELATING TO THE OFFERS 60</p> <p>OFFEREES' STATUTORY RIGHTS 61</p> <p>DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT 61</p> <p>CONSENT OF COUNSEL 62</p> <p>CONSENT OF AUDITORS 63</p> <p>CERTIFICATE OF TELUS CORPORATION 64</p> <p>CERTIFICATE OF 612459 B.C. LTD. 65</p> <p>SCHEDULE I — TELUS CORPORATION AUDITED COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS I-1</p> <p>SCHEDULE II — TELUS CORPORATION UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS II-1</p> <p>SCHEDULE III — TELUS CORPORATION — U.S. GAAP RECONCILIATION OF TELUS INTERIM FINANCIAL STATEMENTS III-1</p> <p>ANNEX A — ADDITIONAL INFORMATION A-1</p>
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[™]: When used in the Offers to Purchase and Circular denotes registered trademarks of Clearnet.

QUESTIONS AND ANSWERS ABOUT THE OFFERS AND THE PROPOSED ACQUISITION

Q: WHAT IS TELUS PROPOSING?

A: We are offering, directly and through 612459 B.C. Ltd., our wholly-owned indirect subsidiary, to exchange cash, TELUS Non-Voting Shares or a combination of both, subject to certain prorations as described in response to the next question, for each outstanding Class A Non-Voting Share, Class B Share, Class C Subordinate Voting Share and Class D Subordinate Voting Share of Clearnet. As a result of the offers and any subsequent acquisition of the remaining equity interest in Clearnet, Clearnet will become an indirect wholly-owned subsidiary of TELUS.

Q: WHAT WOULD I RECEIVE IN EXCHANGE FOR MY CLEARNET SHARES?

A: We are offering to exchange (i) Cdn\$70.00 in cash, or 1.636 TELUS Non-Voting Shares, or a combination of the foregoing for each Class A Non-Voting Share, Class C Subordinate Voting Share or Class D Subordinate Voting Share of Clearnet, and (ii) Cdn\$0.70 in cash, or 0.01636 TELUS Non-Voting Share, or a combination of the foregoing for each Class B Share of Clearnet that in either case, is validly tendered and not properly withdrawn provided that not more than 50% of the total consideration paid under the offers will be cash and not more than 50% of the total consideration paid under the offers will be TELUS Non-Voting Shares.

You will not receive any fractional TELUS Non-Voting Shares in the offers. Instead, you will receive cash in an amount equal to the market value of any fractional shares you would otherwise have been entitled to receive based on an average trading price of TELUS Non-Voting Shares.

Q: HOW LONG WILL IT TAKE TO COMPLETE THE OFFERS AND THE ACQUISITION OF THE REMAINING EQUITY INTEREST IN CLEARNET?

A: We expect to complete the offers by October 31, 2000; however, the timing may be delayed if we have not received the necessary regulatory approvals at that time. We also expect to complete the acquisition shortly after we complete the offers if we acquire 90% of each class of the shares of Clearnet in the offers as provided by Canadian law. If less than 90% of any class of the shares of Clearnet are tendered in the offers, then an acquisition of the remaining equity interest in Clearnet will require Clearnet shareholder approval and we intend to complete the acquisition shortly after holding a meeting of Clearnet shareholders to approve such acquisition. Upon completion of the offers we will hold a sufficient number of Clearnet Shares to approve the acquisition transaction. We must also obtain regulatory clearance prior to completion of the offers and the subsequent acquisition transaction.

Q: WILL I HAVE TO PAY ANY FEES OR COMMISSIONS?

A: If you are the registered owner of your Clearnet shares and you tender your Clearnet shares directly to the Depository or the U.S. Forwarding Agent or use the services of a dealer manager or a member of the soliciting dealer group, you will not have to pay brokerage fees or incur similar expenses. If you own your shares through a broker or other nominee who is not a member of the soliciting dealer group, and your broker tenders the shares on your behalf, your broker may charge you a fee for doing so. You should consult your broker or nominee to determine whether any charges will apply.

Q: DOES CLEARNET SUPPORT THE OFFERS?

A: Yes, Clearnet has entered into a support agreement with us whereby it has agreed to support the offers and Clearnet's board of directors has unanimously recommended that Clearnet shareholders accept the offers and tender their shares pursuant to the offers. Information about the recommendation of Clearnet's board of directors is more fully set forth in Clearnet's Directors' Circular, which is being mailed to Clearnet shareholders together with the Offers to Purchase and Circular.

Q: HAVE ANY CLEARNET SHAREHOLDERS AGREED TO TENDER THEIR SHARES?

A: Yes. We have entered into lock-up agreements each dated as of August 20, 2000 and certain other agreements whereby a number of shareholders of Clearnet, including certain directors and executive officers, have agreed to tender into the offers Clearnet shares representing approximately 91.0% of the

outstanding voting shares of Clearnet and more than 35.1% of the economic value of Clearnet (including more than 66 $\frac{2}{3}$ % of the Class B Shares and 100% of the Class C Subordinate Voting Shares and Class D Subordinate Voting Shares), as of September 18, 2000.

Q: HAS CLEARNET RECEIVED A FAIRNESS OPINION IN CONNECTION WITH THE OFFERS AND THE ACQUISITION?

A: Yes. Clearnet has received an opinion from RBC Dominion Securities Inc. dated August 20, 2000 to the effect that, as of such date, the consideration to be received by Clearnet shareholders in the offers is fair from a financial point of view to such shareholders. The full text of such opinion, which sets forth assumptions made, matters considered and limitations on the review undertaken in connection with the opinion, is attached as a schedule to Clearnet's Directors' Circular, which is being mailed to the shareholders of Clearnet with the Offers to Purchase and Circular.

Q: WHAT PERCENTAGE OF TELUS NON-VOTING SHARES WILL CLEARNET SHAREHOLDERS OWN AFTER THE OFFERS AND THE ACQUISITION?

A: After completion of the acquisition of 100% of Clearnet on a fully diluted basis, former Clearnet shareholders would own approximately 47.6% of the outstanding TELUS Non-Voting Shares, assuming GTE Corporation does not exercise its pre-emptive right on the issue of TELUS Non-Voting Shares.

Q: WHAT ARE THE MOST SIGNIFICANT CONDITIONS TO THE OFFERS?

A: The offers are subject to several conditions, including:

- (a) two-thirds of the outstanding Clearnet shares of each class on a fully diluted basis, having been validly tendered and not properly withdrawn;
- (b) all required regulatory approvals be received on terms which will not have a material adverse effect on us or Clearnet or all waiting periods with respect thereto shall have expired;
- (c) we shall have determined, acting reasonably, that no action or proceeding or law or regulation shall have been taken or proposed that prevents or would prevent TELUS from completing the offers or any subsequent acquisition transaction or would have a material adverse effect on Clearnet;
- (d) we shall have determined, acting reasonably, that neither Clearnet nor any of its subsidiaries, associates or other entities in which it has a material interest have taken any action or disclosed any previously undisclosed actions which would have a material adverse effect on Clearnet;
- (e) all third party consents necessary on a change of control the failure of which to obtain would have a material adverse effect on Clearnet shall have been obtained on terms satisfactory to us;
- (f) the representations and warranties of the Clearnet Shareholders in the Shareholders Agreements shall be true and the covenants and all obligations thereunder shall have been complied with unless any non-performance would not give rise to a material adverse change or a material adverse effect on the offers;
- (g) the board of directors of Clearnet shall not have changed or withdrawn their recommendation to the Clearnet shareholders;
- (h) the representations and warranties of Clearnet in the support agreement shall be correct and Clearnet shall have complied with its covenants under the support agreement, unless the failure or breach of which would not have a material effect on Clearnet or materially impair our ability to acquire the Clearnet shares;
- (i) there not having been any change in the business, operations, assets, financial condition, rights or permits of Clearnet and its subsidiaries which in the opinion of us or our banks would have a material adverse effect on Clearnet; and
- (j) neither we nor our banks becoming aware of any untrue statement of a material fact or omission to state a material fact that would make any document filed by Clearnet with any regulatory body misleading.

These conditions to the offers are described under “Conditions of the Offers” in Section 4 of the Offers to Purchase.

Q: HOW DO I PARTICIPATE IN THE OFFERS?

A: To tender your Clearnet shares, you should do the following:

- (a) If you hold shares in your own name, complete and sign the enclosed letter of transmittal and return it with your share certificates to the Depositary (in Canada) or the U.S. Forwarding Agent (in the United States) at their respective appropriate addresses specified on the back cover page of the Offers to Purchase before the expiration of the offers.
- (b) If you hold your shares in “street name” through an investment dealer or broker, instruct your investment dealer or broker to tender your shares before the expiration of the offers.

For more information on the timing of the offers, extensions of the offer period and your rights to withdraw your shares from the offers before the expiry date, please refer to “The Offers to Purchase”.

Q: WILL I BE ABLE TO TRADE THE TELUS SHARES I RECEIVE?

A: The TELUS Non-Voting Shares are listed and trade on The Toronto Stock Exchange. We are also applying for the listing of these shares on the New York Stock Exchange.

Q: IS TELUS’ FINANCIAL CONDITION RELEVANT TO MY DECISION TO TENDER MY SHARES IN THE OFFERS?

A: Yes. Shares of Clearnet accepted in the offers may be exchanged for TELUS Non-Voting Shares and so you should consider our financial condition before you decide to become one of our shareholders through the offers. In considering our financial condition, you should review the documents scheduled and incorporated by reference in the Circular because they contain detailed business, financial and other information about us.

Q: WHERE CAN I FIND OUT MORE INFORMATION ABOUT TELUS AND CLEARNET?

A: You can find out information about TELUS and Clearnet from various sources described under “Where You Can Obtain More Information” on page iv.

Q: WILL CLEARNET CONTINUE AS A PUBLIC COMPANY?

A: If the acquisition of 100% of the equity interest in Clearnet occurs, Clearnet shares will no longer be publicly owned. Even if the acquisition does not occur, if we purchase all the tendered shares, there may be so few remaining Clearnet shareholders and publicly held Clearnet non-voting shares that the shares may no longer be eligible to be quoted on The Toronto Stock Exchange, NASDAQ or other securities markets. There may not be a public trading market for the shares.

Q: IF I DECIDE NOT TO TENDER, HOW WILL THE OFFERS AFFECT MY CLEARNET SHARES?

A: If you decide not to tender your shares in the offers and the subsequent acquisition of 100% of the equity interest in Clearnet occurs, you will receive pursuant to the acquisition the same consideration per Clearnet share you own as if you had tendered your shares to the offers, without interest. In connection with any subsequent acquisition, Clearnet shareholders have a right to dissent and require appraisal of their Clearnet shares.

Q: WHO CAN I CALL WITH QUESTIONS ABOUT THE OFFERS?

A: You can contact our information agent, Georgeson Shareholder Communications Inc., as information agent, collect at (212) 440-9800 or toll-free at 1-800-223-2064.

WHERE YOU CAN OBTAIN MORE INFORMATION

Clearnet files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (“SEC”) under the U.S. Securities Exchange Act of 1934. You may read and copy this information at the following locations of the SEC:

Public Reference Room 450 Fifth Street, N.W. Room 1024 Washington, D.C. 20549	North East Regional Office 7 World Trade Center Suite 1300 New York, New York 10048	Midwest Regional Office 500 West Madison Street Suite 1400 Chicago, Illinois 60661-2511
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You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates.

The SEC also maintains a web site that contains reports, proxy statements and other information about issuers, like Clearnet, who file electronically with the SEC. The address of that site is www.sec.gov.

You can also inspect reports, proxy statements and other information about Clearnet at the offices of NASDAQ, 33 Whitehall Street, New York, NY 10004.

Clearnet has filed with the SEC a Solicitation/Recommendation on Schedule 14 regarding the offers. You may obtain a copy of the Schedule 14 (and any amendments to that document) in the manner described above.

We filed with the SEC a registration statement on Form F-10 under the U.S. Securities Act of 1933 in connection with the registration of the TELUS Non-Voting Shares being offered in the Offers. You may obtain copies of the Form F-10 (and any amendments to that document) in the manner described above.

The SEC and Canadian provincial securities laws allow us to “incorporate by reference” information into these Offers to Purchase and Circular which means that we can disclose important information to you by referring you to another document filed separately with provincial securities commissions or other similar authorities in Canada. The information incorporated by reference is deemed to be part of these Offers to Purchase and Circular except for any information superseded by information contained directly in these Offers to Purchase and Circular. These Offers to Purchase and Circular incorporate by reference the documents set forth below that were previously filed with the provincial securities commissions or other similar authorities in Canada. These documents contain important information about TELUS and its financial condition.

- (a) TELUS’ Annual Information Form dated March 17, 2000;
- (b) the management proxy circular of TELUS dated March 20, 2000 in connection with the annual meeting of shareholders held on May 3, 2000, other than the Sections entitled “Report on Executive Compensation” and “Performance Graph”;
- (c) the unaudited interim consolidated financial statements of TELUS for the three months ended March 31, 2000 and for the six months ended June 30, 2000; and
- (d) the material change reports of TELUS dated March 21, 2000, April 10, 2000, June 8, 2000 and August 30, 2000.

Any documents of the type referred to in the preceding paragraph (excluding confidential material change reports) filed by us with a securities commission or similar authority in Canada after the date of these Offers to Purchase and Circular and prior to the expiration of the offers shall be deemed to be incorporated by reference in and form an integral part of these Offers to Purchase and Circular.

DOCUMENTS INCORPORATED BY REFERENCE ARE AVAILABLE FROM US WITHOUT CHARGE UPON REQUEST TO OUR INFORMATION AGENT GEORGESON SHAREHOLDER COMMUNICATIONS INC., 17 STATE STREET, 10TH FLOOR, NEW YORK, NY 10004, TOLL FREE AT 1-800-223-2064. IF YOU REQUEST ANY INCORPORATED DOCUMENTS FROM US, WE WILL MAIL

THEM TO YOU BY FIRST CLASS MAIL, OR ANOTHER EQUALLY PROMPT MEANS, WITHIN ONE BUSINESS DAY AFTER WE RECEIVE YOUR REQUEST.

We have not authorized anyone to give any information or make any representation about our Offers that is different from, or in addition to, that contained in these Offers to Purchase and Circular or in any of the materials that we have incorporated by reference into these Offers to Purchase and Circular. Therefore, if anyone does give you information of this sort, you should not rely on it. The information contained in this document speaks only as of the date of this document unless the information specifically indicates that another date applies.

SUMMARY

The following is a summary only and is qualified by the detailed provisions contained elsewhere in the Offers to Purchase and Circular. Capitalized terms used herein, where not otherwise defined, are defined in the accompanying Definitions. The information concerning Clearnet contained herein and in the Offers to Purchase and Circular has been taken from or is based upon publicly available documents or records on file with Canadian securities regulatory authorities and other public sources at the time of the Offers, unless otherwise indicated. All currency amounts expressed herein, unless otherwise indicated, are expressed in Canadian dollars. Shareholders are urged to read the Offers to Purchase and Circular in its entirety.

The Offers

We are offering to acquire all of the issued and outstanding Clearnet Non-Voting Shares, Class B Shares, Class C Shares and Class D Shares, including Clearnet Non-Voting Shares which may become outstanding on the exercise of options, warrants, convertible debentures or other rights to purchase or acquire Clearnet Non-Voting Shares, but excluding Clearnet Non-Voting Shares owned by TELUS or Acquisition Co. or their affiliates or associates, for, at the election of the Shareholder:

- \$70.00 in cash for each Clearnet Non-Voting Share, Class C Share or Class D Share or \$0.70 in cash for each Class B Share (the “Cash Alternative”);
- 1.636 TELUS Non-Voting Shares for each Clearnet Non-Voting Share, Class C Share or Class D Share or 0.01636 TELUS Non-Voting Share for each Class B Share (the “Share Alternative”); or
- a combination of the foregoing (the “Combination Alternative”);

subject to proration as hereinafter described. The maximum amount of cash payable pursuant to the Offers, including any amounts payable in lieu of the issuance of fractional TELUS Non-Voting Shares, shall not exceed 50% of the total consideration payable under the Offers and the maximum value of the TELUS Non-Voting Shares issuable by TELUS pursuant to the Offers shall not exceed 50% of the total consideration payable under the Offers. Shareholders who otherwise validly accept an Offer but fail in the Letter of Transmittal or Notice of Guaranteed Delivery to properly elect, as applicable, the Cash Alternative, the Share Alternative or the Combination Alternative shall be deemed to have elected the Share Alternative. See Section 1 of the Offers to Purchase, “The Offers”.

We will not issue fractional TELUS Non-Voting Shares pursuant to the Offers. In lieu of a fractional TELUS Non-Voting Share, a Shareholder accepting an Offer will receive a cash payment determined on the basis of an amount equal to the Average Price multiplied by the fractional share amount.

The TELUS Non-Voting Shares and the Clearnet Non-Voting Shares are each listed for trading on the TSE. The Class A Non-Voting Shares are also listed for trading on NASDAQ. On August 18, 2000, the last trading date prior to the public announcement by TELUS of its intention to make the Offers, the closing price of a Clearnet Non-Voting Share was \$45.80 on the TSE and US\$31.00 on NASDAQ. On the same day, the closing price of a TELUS Non-Voting Share was \$43.25 and the weighted average trading price of TELUS Non-Voting Shares was \$42.79 on the TSE. The closing price of a TELUS Non-Voting Share on September 18, 2000 was \$39.60 on the TSE.

TELUS

TELUS is the second largest Canadian telecommunications provider offering a full range of communication services. Its subsidiaries provide telecommunications services and solutions including voice, data, cellular, Internet, information management and advertising. Voice and data communications, carried over both wireline and wireless networks, are the major lines of business. Interconnection with other communications carriers enables the customers of TELUS to communicate nationally and globally.

TELUS serves approximately 99% of British Columbia’s population of approximately 4.0 million residents and approximately 100% of Alberta’s population of approximately 3.0 million residents. Its network includes the British Columbia and Alberta portion of a cross Canada route for wireline, data and image communications services including the British Columbia and Alberta portion of the coast-to-coast microwave networks and the

transcontinental high-density fibre optic transmission system used by the incumbent local exchange carriers. TELUS' approximately 70% owned subsidiary, QuébecTel Group, owns and operates the second largest telecommunications system in Québec providing telecommunications services primarily in central and eastern Québec. It has offices in Rimouski and other major cities in Québec, including Montreal and Québec City. The TELUS network also interconnects with the network of GTE Corporation, a part of Verizon Communications and Verizon Wireless and Genuity (formerly a GTE Corporation subsidiary), and the networks of other carriers in the U.S. for the exchange of U.S. and international traffic.

TELUS carries on its full range of business throughout British Columbia, Alberta and in the QuébecTel Territory. As part of its national growth strategy, TELUS is expanding into new geographic areas and emerging communications businesses. TELUS is putting in place its own national fibre network, supplemented by fibre rings in certain metropolitan areas. As part of its national strategy, TELUS plans to compete outside its incumbent territory as a CLEC. TIC has obtained final approval to operate as a CLEC in downtown Toronto. TELUS is pursuing CLEC status in other areas of Canada outside of Alberta, British Columbia and the QuébecTel Territory. TIC currently offers business wireline voice and data services, with points of presence in Regina, Saskatoon, Winnipeg, Burlington, Chatham, Hamilton, Kitchener, London, Mississauga, Oshawa, Ottawa, Toronto and Windsor. Further expansion in Ontario and Nova Scotia is planned for later this year. TIC also offers inter-networking and managed application services in Ontario and Québec. TIC plans to offer regional Internet Protocol services in Ontario by the end of 2000.

TELUS Mobility is one of the major wireless and PCS providers in Canada offering both analogue and digital voice and data services and paging services. TELUS Mobility offers services in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. Effective May 11, 1999, TELUS Mobility negotiated the right to offer services outside of British Columbia and Alberta on a national basis via resale, as a result of a new agreement among Mobility Canada members. This new agreement does not restrict Mobility Canada members from competing in each other's territories. TELUS Mobility customers are able to roam throughout Canada through its agreement with Mobility Canada members, and throughout North America through its own and Mobility Canada's arrangements with other cellular providers.

The TELUS Common Shares and the TELUS Non-Voting Shares are listed for trading on the TSE under the symbol "T" and "TA", respectively.

Clearnet

Clearnet is a holding company with two principal wholly-owned subsidiaries, Clearnet Inc. and Clearnet PCS Inc.

Clearnet Inc. owns and operates an Enhanced Specialized Mobile Radio digital wireless business communications service under the Mike™ trademark, an analogue dispatch Specialized Mobile Radio service and a multi-location mobile communications sales and service dealership division.

Clearnet PCS Inc. owns and operates a PCS digital wireless communications service under the Clearnet PCS™ trademark and numerous retail store outlets.

The Clearnet Non-Voting Shares trade in Canadian currency on the TSE under the stock symbol "NETA" and in U.S. currency on NASDAQ under the stock symbol "CLNT".

Support Agreement

On August 20, 2000, Clearnet and TELUS entered into the Support Agreement which provides, among other things, that TELUS will make the Offers. In the Support Agreement, Clearnet confirmed that the board of directors of Clearnet has unanimously determined that the Offers are in the best interests of Clearnet, the consideration offered thereunder is fair to the holders of Clearnet Shares and has unanimously recommended that Shareholders accept the Offers and tender their Clearnet Shares hereto. See "Background to the Offers — Support Agreement" in the Circular.

Commitment to Accept the Offers by Certain Shareholders

Subject to the conditions of the Shareholders Agreements, certain Shareholders of Clearnet have agreed irrevocably to deposit (and not withdraw) all of their Clearnet Non-Voting Shares (representing 8.96% of the class), all of their Class B Shares (representing 91.4% of the class), all of their Class C Shares (100%) and all of their Class D Shares (100%) in acceptance of the Offers. All of the committed Clearnet Shares taken together represent approximately 91.0% of the voting shares of Clearnet and 35.1% of the economic interest in Clearnet. See “Background to the Offers — Shareholder Agreements and Related Agreements” in the Circular.

Purpose of the Offers

We are making the Offers in order to enable the Offeror to acquire all of the outstanding Clearnet Shares. See “Background to the Offers — Purpose and Benefits of the Offers” in the Circular.

Accounting Treatment

We will account for the business combination of Clearnet and TELUS using the purchase method of accounting in Canada and the United States. See “TELUS Corporation Unaudited Pro Forma Consolidated Financial Statements” attached as Schedule II to the Offers to Purchase and Circular.

Time for Acceptance

Each Offer is open for acceptance until 12:01 a.m. (local time at the place of deposit) on Thursday, October 19, 2000 or such later time and date or times and dates to which it may be extended, unless withdrawn by the Offerors. See “Time for Acceptance” in Section 2 of the Offers to Purchase.

Manner of Acceptance

Shareholders wishing to accept an Offer must deposit before the Expiry Time certificates representing their Clearnet Shares together with a Letter of Transmittal, properly completed and signed, at any one of the offices of the Depository or the U.S. Forwarding Agent specified in the Letter of Transmittal. Instructions are contained in the Letter of Transmittal. If a Shareholder wishes to deposit Clearnet Shares pursuant to an Offer and the certificates representing the Clearnet Shares are not immediately available, or if that Shareholder cannot deliver the certificates and all other required documents to the Depository at its office on or prior to the Expiry Time, those Clearnet Shares may nevertheless be deposited in compliance with the procedure for guaranteed delivery. See “Manner of Acceptance — Procedure for Guaranteed Delivery” in Section 3 of the Offers to Purchase. Shareholders whose Clearnet Shares are registered in the name of an investment dealer, stockbroker, bank, trust company or other nominee should contact that nominee for assistance if they wish to accept an Offer. **No fee or commission will be payable by Shareholders who deliver Clearnet Shares directly to the Depository or U.S. Forwarding Agent or who utilize the facilities of the soliciting dealer group to accept an Offer.**

Withdrawal of Deposited Clearnet Shares

Any Clearnet Shares deposited in acceptance of an Offer may be withdrawn by or on behalf of the depositing Shareholder at any time before 12:01 a.m. (local time at the place of deposit) on October 19, 2000, and at any time after November 6, 2000 provided that the Clearnet Shares have not been taken up and paid for by the Offerors prior to receipt by the Depository of the notice of withdrawal in respect of such Clearnet Shares. Additional withdrawal rights may be available under other circumstances as required by applicable law. However, Clearnet Shares tendered during a subsequent offering period may not be withdrawn. See “Withdrawal of Clearnet Shares” in Section 8 of the Offers to Purchase. Except as so indicated or as otherwise required by applicable Law, tenders of Clearnet Shares are irrevocable.

Payment for Clearnet Shares

Upon the terms and subject to the conditions of the Offers, we will take up Clearnet Shares duly and validly tendered to the Offers in accordance with the terms thereof on or as soon after Expiry Time as we are permitted by Law to take up such securities and the conditions of the applicable Offers (as the same may be amended or

waived) have been satisfied or waived. We will pay for Clearnet Shares taken up under the Offers in accordance with the terms of the Offers promptly and in any event, on or before the date on which we are required by Law to make such payment. See “Payment for Deposited Clearnet Shares” in Section 6 of the Offers to Purchase.

Conditions of the Offers

We will have the right to withdraw the Offers and will not be required to take up and pay for any Clearnet Shares deposited under the Offers unless all of the conditions of the Offers contained in Section 4 of the Offers to Purchase are satisfied. These conditions include there being validly deposited under the Offers and not withdrawn prior to the expiration of the Offers that number of Clearnet Shares which represents at least 66 $\frac{2}{3}$ % of each class of the Clearnet Shares outstanding on a fully-diluted basis, that all required regulatory approvals be received on terms which will not have a material adverse effect on TELUS or Clearnet or all waiting periods with respect thereto shall have expired; that TELUS shall have determined, acting reasonably, that no action or proceeding or law or regulation shall have been taken or proposed that prevents or would prevent us from completing the Offers or any Compulsory Acquisition or Subsequent Acquisition Transaction or would have a material adverse effect on Clearnet; that TELUS shall have determined, acting reasonably, that neither Clearnet nor any of its subsidiaries, associates or other entities in which it has a material interest have taken any action or disclosed any previously undisclosed actions which would have a material adverse effect on Clearnet; that all third party consents necessary on a change of control the failure of which to obtain would have a material adverse effect on Clearnet shall have been obtained on terms satisfactory to TELUS; that the representations and warranties of the Clearnet Shareholders in the Shareholders Agreements shall be true and the covenants and all obligations thereunder shall have been complied with unless any non-performance would not give rise to a material adverse change or a material adverse effect on the Offers; that the board of directors of Clearnet shall not have changed or withdrawn their recommendation to the Shareholders; the representations and warranties of Clearnet in the Support Agreement shall be correct and Clearnet shall have complied with its covenants under the Support Agreement, unless the failure or breach of which would not have a material effect on Clearnet or materially impair our ability to acquire the Clearnet Shares; there not having been any change in the business, operations, assets, financial condition, rights or permits of Clearnet and its Subsidiaries which in the opinion of TELUS or the Banks would have a material adverse effect on Clearnet; and neither TELUS nor the Banks becoming aware of any untrue statement of a material fact or omission to state a material fact that would make any document filed by Clearnet with any regulatory body misleading. See “Conditions of the Offers” in Section 4 of the Offers to Purchase.

Acquisition of Shares not Deposited to the Offers

If an Offer is accepted by the holders of not less than 90% of a particular class of Clearnet Shares (other than those owned by us on the date of the Offers), we currently intend, to the extent possible, to acquire the remaining Clearnet Shares of that class pursuant to the compulsory acquisition provisions of the CBCA. If we take up and pay for Clearnet Shares validly tendered under an Offer and acquire less than such percentage of a particular class thereof or the compulsory acquisition provisions of the CBCA are otherwise unavailable, we currently intend to consider other means of acquiring, directly or indirectly, all of the Clearnet Shares of the particular class available in accordance with applicable law, including a Subsequent Acquisition Transaction. See “Acquisition of Clearnet Shares Not Deposited Under the Offers” in the Circular.

Selected Historical and Pro Forma Condensed Consolidated Financial Information

The following table sets out certain historical consolidated financial information for TELUS as at December 31, 1999 and for the year then ended. The historical consolidated financial information is extracted from the audited consolidated financial statements of TELUS attached hereto as Schedule I to the Offers to Purchase and Circular. The following table also includes the pro forma consolidated financial information for TELUS and Clearnet for the six months ended June 30, 2000 which were obtained from the companies' interim financial statements for the six months then ended.

The selected pro forma consolidated financial information set forth below is extracted from and should be read in conjunction with the unaudited pro forma consolidated financial statements of TELUS and Clearnet and accompanying notes attached as Schedule II to the Offers to Purchase and Circular. The pro forma consolidated financial information has been prepared assuming TELUS had acquired Clearnet on January 1, 1999. The pro forma consolidated financial information is not necessarily indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. No attempt has been made to calculate or estimate the effect of any potential synergies or harmonization of accounting policies between the two companies. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). For certain differences between Canadian GAAP and U.S. GAAP, see Schedules I-III hereto.

For the year ended and as at December 31, 1999 (Millions, except per share amounts)

	<u>Pro Forma</u>	<u>TELUS</u>
Operating revenues	\$ 6,225.8	\$5,872.3
EBITDA	2,130.1	2,327.4
Common share income (loss)	(325.3)	346.2
Earnings (loss) per Share		
Before restructuring costs and goodwill amortization charges	0.65	2.61
Net	(1.12)	1.46
Total assets	15,074.0	7,811.1

For the six months ended June 30, 2000 (Millions, except per share amounts)

	<u>Pro Forma</u>	<u>TELUS</u>
Operating revenues	\$ 3,251.2	\$3,006.7
EBITDA	1,146.8	1,229.7
Net income before restructuring costs and goodwill amortization charges	94.9	330.4
Common share income (loss)	(30.7)	325.6
Earnings (loss) per Share		
Before goodwill charges	0.32	1.39
Net	(0.11)	1.37
Total assets	16,321.6	8,694.5

Certain coverage ratios and book value information are set out in Annex A hereto.

Canadian Federal Income Tax Considerations

Canadian residents who tender their Clearnet Non-Voting Shares pursuant to the Offers will generally realize a capital gain or loss. Eligible Shareholders may elect to tender the portion of their Clearnet Non-Voting Shares considered to be exchanged for TELUS Non-Voting Shares directly to TELUS, rather than to Acquisition Co. A tax-deferred rollover will generally be available to Eligible Shareholders who dispose of Clearnet Non-Voting Shares to TELUS. Non-residents of Canada will generally not be subject to tax in Canada in respect of the sale of their Clearnet Non-Voting Shares pursuant to the Offers. See "Canadian Federal Income Tax Considerations" in the Circular.

U.S. Federal Income Tax Considerations

The exchange of Clearnet Shares for TELUS Non-Voting Shares and/or cash under the Offers will be a taxable transaction for United States federal income tax purposes. See “United States Federal Income Tax Considerations” in the Circular.

Financial Advisors, Dealer Managers and Soliciting Dealer Group

TD Securities Inc. and J.P. Morgan & Co. Inc. have been retained to act as financial advisors to TELUS. In addition, in Canada TD Securities Inc. and J. P. Morgan Securities Canada Inc. and in the United States J. P. Morgan Securities Inc. and TD Securities (U.S.A.) Inc. have been retained as the dealer managers for the Offers. In Canada, TD Securities Inc. and J.P. Morgan Securities Canada Inc. will form a soliciting dealer group comprising members of the Investment Dealers Association of Canada to solicit acceptance of the Offers. TELUS will pay soliciting dealers certain fees, as described under “Other Matters Relating to the Offers — Financial Advisors, Dealer Managers and Soliciting Dealer Group” in the Circular.

Depository and U.S. Forwarding Agent

We have engaged Montreal Trust Company of Canada as the Depository and Computershare Investor Services, LLC as the U.S. Forwarding Agent for the receipt of certificates in respect of Clearnet Shares and Letters of Transmittal deposited under the Offers. In addition, the Depository will receive Notices of Guaranteed Delivery deposited under the Offers at its Toronto office specified in the Notice of Guaranteed Delivery. The duties of the Depository also include assisting in settling under the Offers. See “Other Matters Relating to the Offers — Depository and U.S. Forwarding Agent” in the Circular.

No brokerage fees or commissions will be payable by any Shareholder who deposits Clearnet Shares directly with the Depository or the U.S. Forwarding Agent or who uses the services of the Dealer Manager or a member of the soliciting dealer group to accept the Offers. Shareholders should contact the Dealer Manager, the Depository, the U.S. Forwarding Agent or a broker or dealer for assistance in accepting the Offers and in depositing Clearnet Shares with the Depository or the U.S. Forwarding Agent. See “Other Matters Relating to the Offers — Financial Advisors, Dealer Managers and Soliciting Dealer Group” in the Circular.

DEFINITIONS

In the accompanying Summary, Offers to Purchase and Circular, unless the context otherwise requires, the following terms have the meanings indicated:

“**1933 Act**” means the United States *Securities Act of 1933*, as amended.

“**1934 Act**” means the United States *Securities Exchange Act of 1934*, as amended.

“**Acquisition Co.**” means 612459 B.C. Ltd.

“**Acquisition Proposal**” means any merger, amalgamation, consolidation, business combination, strategic alliance, recapitalization, liquidation, take-over bid, sale of material assets (or any lease, long term supply agreement or other arrangement having the same effect as a sale of material assets), any material sale of treasury shares or rights or interests therein or thereto or similar transactions involving Clearnet or any Material Subsidiaries of Clearnet, or a *bona fide* proposal to do so, excluding the Offers and any Compulsory Acquisition or Subsequent Acquisition Transaction as contemplated in the Support Agreement.

“**affiliate**” has the meaning ascribed thereto in the *Securities Act* (Ontario).

“**Agency**” means any domestic or foreign court or tribunal or governmental agency or other regulatory authority or administrative agency or commission or any elected or appointed public official.

“**Average Price**” means the simple average of the weighted average trading price of a TELUS Non-Voting Share for the five trading days on the TSE ending on the third business day prior to the Take-up Date.

“**associate**” has the meaning ascribed thereto in the *Securities Act* (Ontario).

“**Banks**” means the financial institutions providing the funds to TELUS pursuant to the Commitment Letter.

“**Book-Entry Transfer Facility**” means The Depository Trust Company.

“**Business Day**” means any day, other than Saturday, Sunday or a statutory holiday in the Provinces of British Columbia or Ontario or a federal holiday in the United States or a civic holiday in Vancouver or Toronto.

“**Cash Alternative**” has the meaning ascribed thereto in subsection (a) of Section 1 of the Offers to Purchase, “The Offers”.

“**CBCA**” means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 and the regulations thereunder, as amended.

“**CDMA**” means Code Division Multiple Access, a digital technology for use in mobile phone systems.

“**Circular**” means the take-over bid circular accompanying the Offers to Purchase and forming part thereof.

“**Class B Shares**” means the Class B Shares in the capital of Clearnet.

“**Class C Shares**” means the Class C Subordinate Voting Shares in the capital of Clearnet.

“**Class D Shares**” means the Class D Subordinate Voting Shares in the capital of Clearnet.

“**CLEC**” means a competitive local exchange carrier.

“**Clearnet**” means Clearnet Communications Inc. and in the Circular, where the context so requires includes its subsidiaries.

“**Clearnet Convertible Debentures**” means the convertible debentures of Clearnet issued pursuant to the indenture dated as of June 8, 2000 between Clearnet and Montreal Trust Company of Canada, as amended and supplemented by a first supplemental indenture dated June 19, 2000.

“**Clearnet Non-Voting Shares**” means the Class A Non-Voting Shares in the capital of Clearnet.

“**Clearnet Option Plan**” means the Employee Stock Option Plan of Clearnet, as amended from time to time.

“**Clearnet Options**” mean the options under the Clearnet Option Plan.

“**Clearnet Optionholders**” means the holders of options under the Clearnet Option Plan.

“**Clearnet Shareholders**” mean Nextel International, Inc., Motorola Canada Limited, Madison Dearborn Capital Partners, L.P. and Lenbrook Inc.

“**Clearnet Shares**” means collectively, the Clearnet Non-Voting Shares, Class B Shares, Class C Shares and Class D Shares.

“**Clearnet Warrantholders**” means the holders of Clearnet Warrants.

“**Clearnet Warrants**” means the warrants to purchase Clearnet Non-Voting Shares issued pursuant to the warrant indenture dated as of December 11, 1995 between Clearnet and the United States Trust Company of New York.

“**Combination Alternative**” has the meaning ascribed thereto in subsection (c) of Section 1 of the Offers to Purchase, “The Offers”.

“**Commissioner**” means the Commissioner of Competition appointed under the *Competition Act*.

“**Commitment Letter**” means the commitment letter dated August 18, 2000 from The Toronto Dominion Bank and J.P. Morgan Security Trust Company of New York with respect to the provision of senior credit facilities.

“**Competition Act**” means the *Competition Act*, R.S., 1985, c. C-34, as amended.

“**Compulsory Acquisition**” means any acquisition of any of the Clearnet Shares or any class of them pursuant to Section 206 of the CBCA.

“**CRTC**” means the Canadian Radio-television and Telecommunications Commission, which is the federal regulatory body responsible for regulating telecommunications and broadcasting in Canada.

“**CVMQ**” means Commission des valeurs mobilières du Québec.

“**Dealer Managers**” means in Canada TD Securities Inc. and J. P. Morgan Securities Canada Inc. and in the United States J. P. Morgan Securities Inc. and TD Securities (U.S.A.) Inc.

“**Depository**” means Montreal Trust Company of Canada at its offices specified in the Letter of Transmittal.

“**EBITDA**” means earnings before interest, taxes, depreciation and amortization.

“**Effective Date**” means the date that the Offerors take up and pay for the Clearnet Shares deposited pursuant to a Letter of Transmittal.

“**Eligible Institution**” means a Canadian chartered bank, a trust company in Canada, a member of the Stock Exchange Medallion Program (SEMP) or a member of The New York Stock Exchange Inc. Medallion Signature Program (MSP) or the National Association of Securities Dealers, Inc., or a member of the Securities Transfer Agent Medallion Program (STAMP).

“**Eligible Shareholder**” means a Shareholder who elects the Combination Alternative or the Share Alternative pursuant to the Offers and (i) who is a resident of Canada for the purposes of the *Tax Act*, who holds Clearnet Shares as capital property for purposes of the *Tax Act* and who is not exempt from tax under the *Tax Act*, or (ii) who is not a resident of Canada for purposes of the *Tax Act* and whose Clearnet Shares constitute taxable Canadian property (as defined in the *Tax Act*), provided that any gain realized by such non-resident Shareholder from the disposition of Clearnet Shares would not be exempt from Canadian tax by virtue of an applicable international tax treaty to which Canada is a party, or (iii) which is a partnership that owns Clearnet Shares if one or more of its members would be an Eligible Shareholder if such member held such Clearnet Shares directly.

“**Expiry Time**” means 12:01 a.m. (local time at the place of deposit) on Thursday, October 19, 2000, or such later time and date or times and dates as may be fixed by TELUS from time to time as provided under “Extension, Variation or Change in the Offers” in Section 5 of the Offers to Purchase.

“**fully-diluted basis**” means, with respect to the number of outstanding Clearnet Shares at any time, the number of Clearnet Shares that would be outstanding assuming all options, warrants, convertible debentures and other rights to purchase or acquire Clearnet Shares outstanding at that time had been exercised.

“**Governmental Entity**” means any (a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign, (b) subdivision, agent, commission, board or authority of any of the foregoing or (c) quasi-governmental, self regulating or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing including the TSE and NASDAQ.

“**Holdco Agreement**” means an agreement satisfactory to TELUS, in its sole discretion, pursuant to which all of the holders of shares in the capital of a Holding Company agree to, among other things, deposit all of the shares in the capital of such company to TELUS (in lieu of Clearnet Shares) under the Offers and agree to deposit with the Depository prior to the Holdco Election Deadline a duly completed Holdco Letter of Transmittal and Election Form.

“**Holdco Alternative**” means the option of all of the holders of shares in the capital of a Holding Company which holds Clearnet Shares, to participate in the Offers by entering into a Holdco Agreement with TELUS and by depositing all of the issued and outstanding shares in the capital of such company to TELUS (in lieu of Clearnet Shares) under the Offers and to receive the consideration specified in the Offers as elected by them in the Holdco Letter of Transmittal and Election Form.

“**Holdco Election Deadline**” means October 16, 2000.

“**Holdco Letter of Transmittal and Election Form**” means the letter of transmittal and acceptance and election form for use by Holdco Shareholders who choose the Holdco Alternative which, when duly completed and returned prior to the Holdco Election Deadline, will enable Holdco Shareholders to elect under the Offers to deposit their Holdco Shares under the Offers (in lieu of Clearnet Shares) for the Share Alternative, the Cash Alternative or the Combination Alternative, as the case may be, subject to certain prorations.

“**Holdco Shareholder**” means a holder of Holdco Shares.

“**Holdco Shares**” means, in respect of a Holding Company, all of the issued and outstanding shares in the capital of such Holding Company.

“**Holding Company**” means a company which is a holder of Clearnet Shares and in respect of which all of the Holdco Shareholders have validly exercised the Holdco Alternative within the times and in accordance with the conditions set out herein and duly completed and deposited with the Depository prior to the Holdco Election Deadline a Holdco Letter of Transmittal and Election Form.

“**Laws**” or “**Law**” means all laws, by-laws, rules, regulations, orders, ordinances, protocols, codes, guidelines, policies, notices, directions, decrees and judgments or other requirements of any Governmental Entity.

“**Letter of Transmittal**” means the Letter of Acceptance and Transmittal for Clearnet Shares in the form accompanying the Offers to Purchase and Circular, or a facsimile thereof.

“**LIBOR**” means London Interbank Offer Rate.

“**Lock-up Agreements**” mean the agreements dated as of August 20, 2000 among TELUS and each of the Clearnet Shareholders, which provides for, *inter alia*, certain matters relating to the Offers.

“**material adverse change**” or “**material adverse effect**” means, when used in connection with TELUS or Clearnet, any change, effect, event, occurrence or change in state of facts that is, or would reasonably be expected to be, material and adverse to the business, operations or financial condition of such party and its Material Subsidiaries, taken as a whole, other than any change, effect, event, occurrence or change in state of facts relating to (a) (i) the Canadian equity market; or (ii) the debt syndication market in Canada; (b) the wireless telecommunications industry in Canada; or (c) the refusal by Industry Canada to allow the timely sale of spectrum over the 55 MHz Spectrum Cap.

“**Material Subsidiary**” in respect of TELUS means TELUS Communications Inc., TELUS Communications (B.C.) Inc. and TELUS Mobility Cellular Inc. and in respect of Clearnet, means Clearnet Inc. and Clearnet PCS Inc.

“**Maximum Take-up Date Cash Consideration**” means the amount equal to (i) \$35.00 (being 50% of \$70.00) times the aggregate of all Clearnet Non-Voting Shares, Class C Shares and Class D Shares to be taken up and paid for

on any Take-up Date including the number of Clearnet Non-Voting Shares, Class C Shares and Class D Shares being acquired through any Holding Company under a Holdco Agreement plus (ii) \$0.35 times the Class B Shares to be taken up and paid for on any Take-up Date including the number of Class B Shares being acquired through any Holding Company under a Holdco Agreement.

“**Maximum Take-up Date Share Consideration**” means the number of TELUS Non-Voting Shares equal to (i) .818 (being 50% of 1.636) times the aggregate of all Clearnet Non-Voting Shares, Class C Shares, and Class D Shares to be taken up and paid for on any Take-up Date including the number of Clearnet Non-Voting Shares, Class C Shares and Class D Shares being acquired through any Holding Company under a Holdco Agreement plus (ii) .00818 times the Class B Shares to be taken up and paid for on any Take-up Date, including the number of Class B Shares being acquired through any Holding Company under a Holdco Agreement, rounded down to the nearest whole number.

“**Minimum Deposit Condition**” has the meaning ascribed thereto in subsection (a) of Section 4 of the Offers to Purchase, “Conditions of the Offers”.

“**Minister**” means the Minister of Industry for Canada of the Department of Industry or any officer or official thereof, as the context requires.

“**NASDAQ**” means the National Association of Securities Dealers Automated Quotation System National Market.

“**Notice of Guaranteed Delivery**” means the Notice of Guaranteed Delivery for Deposit of Clearnet Shares in the form accompanying the Offers to Purchase and Circular, or a facsimile thereof.

“**NYSE**” means the New York Stock Exchange.

“**Offer**” means the offer to acquire Clearnet Non-Voting Shares, the offer to acquire Class B Shares, the offer to acquire Class C Shares or the offer to acquire Class D Shares, and “**Offers**” means the Offer to acquire Clearnet Non-Voting Shares, the Offer to acquire Class B Shares, the Offer to acquire Class C Shares and the Offer to acquire Class D Shares, collectively. For greater certainty, each of the Offers is a separate Offer to purchase and each Offer may be extended, varied or changed, and the condition or conditions of any Offer may be waived without similarly extending, varying or changing the other Offers or waiving a condition or the conditions of the other Offers.

“**Offerors**” means TELUS and Acquisition Co., and “**Offeror**” means either one of them.

“**Offer Period**” means the period commencing on the date hereof and ending at the Expiry Time.

“**OSC**” means the Ontario Securities Commission.

“**OSC Rule 61-501**” means Rule 61-501 of the OSC.

“**PCS**” means personal communications service.

“**Person**” includes an individual, body corporate, partnership, syndicate or other form of unincorporated entity.

“**Policy Q-27**” means Policy Statement No. Q-27 of the CVMQ.

“**QuébecTel Group**” means The QuébecTel Group Inc.

“**QuébecTel Territory**” means the traditional serving territory of QuébecTel Communications Inc. in the Province of Quebec.

“**Radiocommunication Act**” means the *Radiocommunication Act*, R.S.C. 1985, c. R-2 and the regulations thereunder, as amended.

“**Share Alternative**” has the meaning ascribed thereto in subsection (b) of Section 1 of the Offers to Purchase, “The Offers”.

“**Shareholders**” mean the holders of Clearnet Shares and where the context so requires include the Holdco Shareholders.

“**Shareholders Agreements**” means the Lock-up Agreements, the hold agreements dated August 20, 2000 among TELUS and each of Nextel International, Inc. and Motorola Canada Limited with respect to holdings of TELUS Non-Voting Shares, and the non-competition agreements dated August 20, 2000 among TELUS, Clearnet and each of Lenbrook Inc. and Madison Dearborn Capital Partners, L.P.

“**Specific TELUS Event**” means any material adverse change in TELUS which occurs as a result of an act of God, hurricane, tornado, epidemic, landslide, earthquake, an act of public enemy, war (declared or undeclared), insurrection, embargo, general unrest or restraint of government and people or similar occurrence.

“**Spectrum Auction**” means the auction by the Minister of radio frequency spectrum in the 1.9 to 2 GHz frequency band expected to commence in November, 2000.

“**Spectrum Cap**” means the spectrum aggregation limit for radiocommunication carriers (as such term is defined in the *Radiocommunication Act*) as determined by the Minister.

“**Subsequent Acquisition Transaction**” has the meaning ascribed thereto under “Acquisition of Clearnet Shares Not Deposited Under the Offers — Subsequent Acquisition Transactions” in the Circular.

“**subsequent offering period**” has the meaning ascribed thereto in Section 5 of the Offers to Purchase, “Extensions, Variation or Change in the Offers”.

“**subsidiary**” means, with respect to a specified body corporate, any body corporate of which more than 50% of the outstanding shares ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified body corporate and shall include any body corporate, partnership, joint venture or other entity over which it exercises direction or control or which is in a like relation to a subsidiary.

“**Superior Proposal**” has the meaning ascribed thereto under “Background to the Offers — Support Agreement” in the Circular.

“**Support Agreement**” means the agreement dated August 20, 2000 between TELUS and Clearnet pursuant to which the board of directors of Clearnet, among other things, agreed to recommend to Shareholders that they accept the Offers and tender their Clearnet Shares to support the Offers, as more particularly discussed under “Background to the Offers — Support Agreement” in the Circular.

“**Take-up Date**” means a date upon which the Offerors take-up or accept for purchase Clearnet Shares tendered pursuant to an Offer.

“**Tax Act**” means the *Income Tax Act (Canada)*, as amended.

“**Telecommunications Act**” means the *Telecommunications Act*, S.C. 1993, c. 38 and the regulations thereunder, as amended.

“**TELUS**” means TELUS Corporation, and in the Circular where the context so requires, includes its subsidiaries.

“**TELUS Common Shares**” means the Common Shares in the capital of TELUS.

“**TELUS Mobility**” means the divisions of TELUS Communications Inc. and TELUS Mobility Cellular Inc. which provide wireless communications services.

“**TELUS Non-Voting Shares**” means the Non-Voting Shares in the capital of TELUS.

“**TELUS Shares**” means, collectively, the TELUS Common Shares and the TELUS Non-Voting Shares.

“**Termination Date**” means November 30, 2000.

“**TIC**” means TELUS Integrated Communications.

“**TSE**” means The Toronto Stock Exchange.

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

“**U.S. Forwarding Agent**” means Computershare Investor Services, LLC at the office specified in the Letter of Transmittal.

The accompanying Circular, which is incorporated into and forms part of the Offers to Purchase, contains important information which should be read carefully before making a decision with respect to an Offer.

OFFERS TO PURCHASE

September 20, 2000

TO THE HOLDERS OF CLEARNET SHARES

1. The Offers

The Offerors hereby offer to purchase, on and subject to the terms and conditions hereinafter specified, all of the issued and outstanding Clearnet Shares (other than those owned by the Offerors or their associates or affiliates), including Clearnet Shares which become outstanding on the exercise of options, warrants or other rights to purchase or acquire Clearnet Shares, including on the conversion of the Clearnet Convertible Debentures, for consideration at the election of the Shareholders of:

- (i) \$70.00 in cash for each Clearnet Non-Voting Share, Class C Share or Class D Share or \$0.70 in cash for each Class B Share (the "Cash Alternative");
- (ii) 1.636 TELUS Non-Voting Shares for each Clearnet Non-Voting Share, Class C Share or Class D Share or 0.01636 TELUS Non-Voting Share for each Class B Share (the "Share Alternative"); or
- (iii) a combination of the foregoing (the "Combination Alternative");

subject to proration as set forth below.

Shareholders who otherwise validly accept an Offer but fail in the Letter of Transmittal or Notice of Guaranteed Delivery, as applicable, to properly elect to tender the Clearnet Shares under the Cash Alternative, the Share Alternative or the Combination Alternative shall be deemed to have elected the Share Alternative in respect of such Clearnet Shares. In addition, Shareholders who elect the Cash Alternative or the Combination Alternative may receive a combination of a reduced amount of cash and an appropriate number of TELUS Non-Voting Shares for each Clearnet Share to the extent contemplated by the prorating provisions described herein and Shareholders who elect the Share Alternative or the Combination Alternative may receive a combination of a reduced number of TELUS Non-Voting Shares and an appropriate amount of cash for each Clearnet Share to the extent contemplated by the proration provisions described herein.

A Shareholder wishing to accept an Offer must tender all of the Shareholder's Clearnet Shares to Acquisition Co. unless the Shareholder is an Eligible Shareholder. An Eligible Shareholder may make an election to tender the portion of such Clearnet Shares which are considered to be exchanged for TELUS Non-Voting Shares (the "Share Portion", as described below) to TELUS for the purpose of achieving a tax-deferred rollover. See "Canadian Federal Income Tax Considerations" in the Circular. The Letter of Transmittal and the Notice of Guaranteed Delivery accompanying these Offers and Circular sets forth the manner in which Eligible Shareholders may elect to tender the Share Portion of their Clearnet Shares to TELUS. Eligible Shareholders who otherwise validly accept an Offer in respect of the tendered Clearnet Shares but do not elect in the Letter of Transmittal or the Notice of Guaranteed Delivery to tender the Share Portion of such Clearnet Shares to TELUS under the Offers shall be deemed to have elected to tender such Clearnet Shares to Acquisition Co. and will not qualify for a tax-deferred rollover for Canadian federal income tax purposes. A Shareholder who elects in the Letter of Transmittal or the Notice of Guaranteed Delivery to tender the Share Portion of their Clearnet Shares to TELUS will be required to represent that the Shareholder is an Eligible Shareholder. In the event that the Offerors have reason to question the Eligible Shareholder status of a Shareholder who has made such an election, the Offerors shall determine whether the Shareholder is an Eligible Shareholder and such determination shall be final and binding on all parties.

Where an Eligible Shareholder makes an election as described in the preceding paragraph, the Share Portion of such Shareholder's Clearnet Shares (or shares of a particular class of Clearnet Shares, where the Shareholder disposes of shares of more than one class of Clearnet Shares) will be equal to the fraction obtained by dividing the fair market value of the TELUS Non-Voting Shares received by the Shareholder (excluding cash received in lieu of a fractional share) by the aggregate of the fair market value of such TELUS Non-Voting

Shares and the amount of cash received by the Shareholder (including cash received in lieu of a fractional share).

The maximum amount of cash payable by the Offerors pursuant to the Offers shall not exceed 50% of the total consideration paid under the Offers and the maximum value of TELUS Non-Voting Shares issuable by TELUS pursuant to the Offers shall not exceed 50% of the total consideration paid under the Offers. The actual consideration to be received by a Shareholder (including a Holdco Shareholder) will be determined in accordance with the following:

- (a) the aggregate amount of cash (including any cash paid in lieu of fractions of TELUS' Non-Voting Shares referred to below) that the Offerors will pay as consideration for Clearnet Shares acquired on any Take-up Date in respect of the Cash Alternative or the Combination Alternative shall not exceed the Maximum Take-up Date Cash Consideration;
- (b) the aggregate number of TELUS Non-Voting Shares that the Offerors will issue or deliver, as the case may be, as consideration for Clearnet Shares acquired on any Take-up Date in respect of the Share Alternative or the Combination Alternative shall not exceed the Maximum Take-up Date Share Consideration;
- (c) if on any Take-up Date the cash consideration that would otherwise be payable by the Offerors to Shareholders who elect the Cash Alternative or Combination Alternative in respect of their Clearnet Shares to be taken up on such Take-up Date including those deemed to be taken up together with any cash to be paid in lieu of fractions of TELUS Non-Voting Shares on that Take-up Date, as described below, exceeds the Maximum Take-up Date Cash Consideration, then the amount of the purchase consideration paid in cash to each Shareholder who has elected the Cash Alternative or the Combination Alternative shall be prorated so that, in the aggregate, the purchase consideration paid in cash to all such holders shall be equal to the Maximum Take-up Date Cash Consideration less the cash consideration to be paid in lieu of fractions of TELUS Non-Voting Shares on that Take-up Date, as described below, and each such holder shall be deemed, for all purposes, to have elected the Share Alternative in respect of any shares to which the Cash Alternative or cash component of the Combination Alternative is deemed not to apply and shall receive from the Offerors the balance of the purchase consideration payable under the Offers on the same basis as holders who elect (or are deemed to have elected) the Share Alternative for their Clearnet Shares to be taken up on such Take-up Date; and
- (d) if on any Take-up Date the number of TELUS Non-Voting Shares that would otherwise be issuable to Shareholders who elect (or are deemed to have elected) the Share Alternative or who elect the Combination Alternative in respect of their Clearnet Shares to be taken up, including those deemed to be taken up on such Take-up Date, exceeds the Maximum Take-up Date Share Consideration, then the amount of the purchase consideration to be paid in TELUS Non-Voting Shares to each such Shareholder shall be prorated so that, in the aggregate, the purchase consideration to be paid in TELUS Non-Voting Shares to all such holders shall be equal to the Maximum Take-up Date Share Consideration, and each such holder shall be deemed, for all purposes, to have elected the Cash Alternative in respect of any shares to which the Share Alternative or the share component of the Combination Alternative is deemed not to apply and shall receive from the Offerors the balance of the purchase consideration payable under the Offers in cash on the same basis as holders who elect the Cash Alternative for their Clearnet Shares to be taken up on such Take-up Date.

No fractional TELUS Non-Voting Shares will be issued. In lieu of a fractional TELUS Non-Voting Share, a Shareholder accepting an Offer will receive a cash payment from Acquisition Co. determined on the basis of an amount equal to the Average Price multiplied by the fractional share amount.

The Offers are made only for Clearnet Shares and are not made for any options, warrants or other rights to purchase or acquire Clearnet Shares. Any holder of such options, warrants or other rights to purchase or acquire Clearnet Shares including the Clearnet Options, the Clearnet Convertible Debentures or the Clearnet Warrants who wishes to accept an Offer must exercise such options, warrants or other rights or exercise the conversion right in respect of the Clearnet Convertible Debentures to obtain Clearnet Shares and deposit those Clearnet Shares in accordance with an Offer. Any such exercise must be sufficiently in advance of the Expiry Time to

assure the holders of options, warrants, Clearnet Convertible Debentures, Clearnet Options or Clearnet Warrants and other rights to purchase or acquire Clearnet Shares that they will have certificates for Clearnet Shares available for deposit before the Expiry Time, or in sufficient time to comply with the procedures referred to under “Manner of Acceptance — *Procedure for Guaranteed Delivery*” in Section 3 of the Offers to Purchase. TELUS intends to make arrangements with the Depository to permit the tender under the Offers of Clearnet Non-Voting Shares which may be issued on the first Take-up Date pursuant to the exercise of Clearnet Options made conditional and effective only upon the take-up of Clearnet Shares under the Offers.

Depositing Shareholders will not be obliged to pay brokerage fees or commissions if they accept the Offer by depositing their Clearnet Shares directly with the Depository or the U.S. Forwarding Agent or if they use the services of the Dealer Managers or a member of the Soliciting Dealer Group to accept the Offer. See “Other Matters Relating to the Offers — Financial Advisors, Dealer Managers and Soliciting Dealer Group” and “— Depository and U.S. Forwarding Agent” in the Circular.

The accompanying Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery are incorporated into and form part of the Offers and contain important information which should be read carefully before making a decision with respect to the Offers.

Based upon information provided by Clearnet, TELUS believes that, as of September 18, 2000, there were approximately 48,695,323 Clearnet Non-Voting Shares, 321,321,912 Class B Shares, 6,092,591 Class C Shares and 7,790,741 Class D Shares, outstanding on a fully-diluted basis.

2. Time for Acceptance

Each Offer is open for acceptance until 12:01 a.m. (local time at the place of deposit) on Thursday, October 19, 2000, or until such later time and date or times and dates to which it may be extended pursuant to Section 5 of the Offers, “Extension and Variation of the Offers”, unless withdrawn by the Offerors.

3. Manner of Acceptance

Letter of Transmittal

Each Offer may be accepted by delivering to the Depository or the U.S. Forwarding Agent at one of the offices of the Depository or the U.S. Forwarding Agent listed in the Letter of Transmittal, so as to be received before the Expiry Time:

- (a) the certificate or certificates representing the Clearnet Shares in respect of which the Offer is being accepted;
- (b) a Letter of Transmittal properly completed and signed as required by the rules and instructions set out in the Letter of Transmittal; and
- (c) any other documents specified in the instructions set out in the Letter of Transmittal.

If the certificate or certificates representing Clearnet Shares are not available for deposit prior to the Expiry Time, Shareholders may accept the Offer by complying with the procedures for guaranteed delivery set forth below.

Except as otherwise provided in the instructions to the Letter of Transmittal, the signature on the Letter of Transmittal must be guaranteed by an Eligible Institution or in some other manner acceptable to the Depository (except that no guarantee is required for a signature of a depositing Shareholder which is an Eligible Institution). If a Letter of Transmittal is executed by a person other than the registered holder of the certificate(s) to which the Letter of Transmittal relates, the certificate(s) must be endorsed or be accompanied by an appropriate share transfer power duly and properly completed by the registered holder, with the signature on the endorsement panel or share transfer power guaranteed by an Eligible Institution.

Book Entry Delivery

The Depository will establish an account for the benefit of the Depository with respect to the Clearnet Shares at a Book-Entry Transfer Facility for purposes of these Offers within two Business Days after the mailing of these Offers. Any financial institution that is a participant in the Book-Entry Transfer Facility’s system may make book-entry delivery of the Clearnet Shares by causing the Book-Entry Transfer Facility to transfer such

shares into the Depository's account in accordance with the Book-Entry Transfer Facility's procedure for such transfer. Even though delivery of Clearnet Shares may be effected through book-entry transfer into the Depository's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal, with any required signature guarantees, or an Agent's Message (as defined below), together in each case with any other required documents must, in any case, be transmitted to and received by the Depository prior to the Expiry Time, or the guaranteed delivery procedure set forth below must be followed. Delivery of a Letter of Transmittal, a Notice of Guaranteed Delivery or any other document to the Book-Entry Transfer Facility does not constitute delivery to the Depository.

The term "Agent's Message" means a message from the Book-Entry Transfer Facility transmitted to and received by the Depository forming a part of a confirmation (the "Book-Entry Confirmation") which states that (i) the Book-Entry Transfer Facility has received from the participant in the Book-Entry Transfer Facility an express acknowledgement of the particulars of such participant's tender of the Clearnet Shares that are the subject of the Book-Entry Confirmation, (ii) the participant in the Book-Entry Transfer Facility has received and agrees to be bound by the terms of the Letter of Transmittal, and (iii) the Offerors may enforce such agreement against the participant in the Book-Entry Transfer Facility.

Procedure for Guaranteed Delivery

If a Shareholder wishes to deposit Clearnet Shares under an Offer, and either the certificates representing the Clearnet Shares are not immediately available, or the Shareholder is not able to deliver the certificates and all other required documents to the Depository before the Expiry Time, those Clearnet Shares may nevertheless be deposited under the Offer, provided that all of the following conditions are met:

- (a) the deposit is made by or through an Eligible Institution;
- (b) a properly completed and duly executed Notice of Guaranteed Delivery, properly completed and signed, together with a guarantee by an Eligible Institution in the form set out in the Notice of Guaranteed Delivery, is received by the Depository before the Expiry Time at its office in Toronto as set forth in the accompanying Notice of Guaranteed Delivery; and
- (c) the certificate(s) representing deposited Clearnet Shares, in proper form for transfer, together with a Letter of Transmittal, properly completed and signed, and all other documents required by the Letter of Transmittal, are received by the Depository at its office in Toronto before 4:30 p.m. (Toronto time) on the third trading day on the TSE after the Expiry Time.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile transmission or mailed to the Depository at its office in Toronto as set forth on the Notice of Guaranteed Delivery and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

Procedure for delivery of Clearnet Non-Voting Shares upon exercise of Clearnet Options

The Offers are made only for Clearnet Shares and are not made for any options, warrants or other rights to purchase or acquire Clearnet Shares. TELUS has made arrangements with the Depository to permit the tender under the Offers of Clearnet Non-Voting Shares which may be issued on the first Take-up Date pursuant to the exercise of options granted under Clearnet's Option Plan made conditional and effective only upon the take-up of Clearnet Shares under the Offers. Holders of Clearnet Options should consult Clearnet for instructions as regards to these procedures.

General

An Offer will be deemed to be accepted only if the Depository or the U.S. Forwarding Agent has actually received the requisite documents at or before the times specified. In all cases, payment for the Clearnet Shares deposited and taken up by the Offeror pursuant to an Offer will be made only after timely receipt by the Depository of certificates representing the Clearnet Shares, a Letter of Transmittal, properly completed and signed, covering the Clearnet Shares with the signatures guaranteed in accordance with the instructions and rules set out therein, and any other required documents.

The method of delivery of the certificates representing Clearnet Shares, the Letter of Transmittal, the Notice of Guaranteed Delivery and all other required documents is at the discretion and risk of the person depositing

those documents. TELUS recommends that those documents be delivered by hand to the Depositary and that a receipt be obtained or, if mailed, that registered mail, properly insured, be used.

All questions as to the validity, form, eligibility (including timely receipt) and acceptance of any Clearnet Shares deposited pursuant to an Offer will be determined by the Offerors in their sole discretion, and depositing Shareholders agree that such determination shall be final and binding. The Offerors reserve the absolute right to reject any and all deposits that they determine not to be in proper form or that may be unlawful for them to accept under the Laws of any jurisdiction. The Offerors reserve the absolute right to waive any defect or irregularity in the deposit of any Clearnet Shares. There will be no obligation on the Offerors, the Dealer Managers, the Depositary or the U.S. Forwarding Agent or any other person to give notice of any defects or irregularities in any deposit and no liability will be incurred by any of them for failure to give any such notice. The Offerors' interpretation of the terms and conditions of the respective Offers, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery will be final and binding.

Shareholders whose Clearnet Shares are registered in the name of a stockbroker, investment dealer, bank, trust company or other nominee should contact that nominee for assistance in depositing those Clearnet Shares.

Powers of Attorney

The execution of a Letter of Transmittal irrevocably appoints and constitutes the Depositary and any officers of the Offerors and each of them and any other persons designated by the Offerors in writing as the true and lawful agents, attorneys, attorneys-in-fact and proxies of the holder of the Clearnet Shares covered by such Letter of Transmittal with respect to Clearnet Shares registered in the name of the holder on the securities registers maintained by Clearnet and deposited pursuant to an Offer and purchased by the Offerors (the "Purchased Securities"), and with respect to any and all securities, rights, warrants or other interests accrued, paid, declared, issued, transferred, made or distributed on or in respect of the Purchased Securities on or after August 18, 2000, (the last Business Day prior to the date of the announcement of the Offers), whether or not separated from the Clearnet Shares (collectively, the "Other Securities"), effective from and after the Effective Date, with full power of substitution (such powers of attorney being irrevocable), to:

- (a) register or record the transfer of Purchased Securities and Other Securities on the appropriate registers;
- (b) except as otherwise may be agreed, to exercise any and all rights of the holder of the Purchased Securities including, without limitation, to vote, execute and deliver any and all instruments of proxy, authorizations or consents in respect of all or any of the Purchased Securities, revoke any such instrument, authorization or consent given prior to, on or after the Effective Date, designate in any such instruments of proxy any person or persons as the proxy or the proxy nominee or nominees of the depositing holder in respect of such Purchased Securities for all purposes including, without limitation, in connection with any meeting (whether annual, special or otherwise and any adjournments thereof) of holders of securities of Clearnet, and execute, endorse and negotiate, for and in the name of and on behalf of the registered holder of Purchased Securities, any and all cheques or other instruments, respecting any distribution payable to or to the order of such holder of Purchased Securities;
- (c) execute, endorse and negotiate any cheques or other instruments representing any distribution payable to the holder; and
- (d) exercise any other rights of a holder of Purchased Shares and any Other Securities.

A holder of Clearnet Shares who executes a Letter of Transmittal also agrees, from and after the Effective Date:

- (a) not to vote any of the Purchased Shares or Other Securities at any meeting of holders of those securities;
- (b) except as otherwise may be agreed, not to exercise any other rights or privileges attached to any of those securities; and
- (c) to execute and deliver to the Offerors any and all instruments of proxy, authorizations or consents received in respect of those securities and to designate in any such instruments of proxy, if requested,

the person or persons specified by the Offerors as the proxy or proxy nominee or nominees of the holder of the Purchased Securities in respect of the Purchased Securities.

At the date on which the Offerors purchase the Purchased Securities, all prior proxies given by the holder of such Purchased Securities with respect to those shares and to any Other Securities related thereto shall be revoked and no subsequent proxies may be given by such holder with respect thereto.

Depositing Shareholders' Representations and Warranties

The deposit of Clearnet Shares pursuant to the procedures herein will constitute a binding agreement between the depositing Shareholder and the Offerors upon the terms and subject to the conditions of the applicable Offer, including the depositing Shareholder's representation and warranty that: (i) such Shareholder has full power and authority to deposit, sell, assign and transfer the Clearnet Shares (and any Other Securities) being deposited and has not sold, assigned or transferred or agreed to sell, assign or transfer the Clearnet Shares being deposited to any person; (ii) such Shareholder owns the Clearnet Shares (and any Other Securities) which are being deposited within the meaning of applicable securities law; (iii) the deposit of such Clearnet Shares (and any Other Securities) complies with applicable securities laws; and (iv) when such Clearnet Shares (and any Other Securities) are taken up and paid for by the Offerors, the Offerors will acquire good title thereto free and clear of all liens, restrictions, charges, encumbrances, claims and equities. The acceptance of an Offer pursuant to the procedures set forth above shall constitute an agreement between the depositing Shareholder and the Offerors in accordance with the terms and conditions of the Offer.

The Offerors reserve the right to permit the Offers to be accepted in a manner other than that set forth in this Section 3.

4. Conditions of the Offers

The Offerors will have the right to withdraw or extend the Offers, and will not be required to take up or pay for any Clearnet Shares deposited under the Offers, if any of the following conditions have not been satisfied or waived at or prior to the Expiry Time:

- (a) there shall have been validly deposited under the Offers and not withdrawn as at the Expiry Time such number of Clearnet Shares which represents not less than 66⅔% of each class of Clearnet Shares outstanding (on a fully-diluted basis) (the "Minimum Deposit Condition");
- (b) consents, waivers, permits, orders and approvals of any Governmental Entity (other than as contemplated in (c) below), and the expiry of any waiting periods, in connection with, or required to permit, the Offerors to acquire the Clearnet Shares under the Offers, the failure of which to obtain or the non-expiry of which would have a material adverse effect on TELUS or Clearnet, as the case may be, or enjoin the ability of TELUS and Acquisition Co. to acquire the Clearnet Shares under the Offers, or pursuant to any Compulsory Acquisition or Subsequent Acquisition Transaction, shall have been obtained or received on terms that will not have a material adverse effect on either TELUS or Clearnet;
- (c) the relevant waiting period in section 123 of the *Competition Act* shall have expired and (i) an advance ruling certificate ("ARC") pursuant to section 102 of the *Competition Act* shall have been issued by the Commissioner; or (ii) a "no action letter" indicating that the Commissioner has determined not to make an application for an order under section 92 of the *Competition Act* shall have been received from the Commissioner, and any terms and conditions attached to any such letter would not have a material adverse effect on either TELUS or Clearnet as determined by TELUS in its sole judgement, acting reasonably; or (iii) in the event that no ARC or "no action" letter is issued, there shall be no threatened or actual application by the Commissioner for an order under section 92 or 100 of the *Competition Act* in respect of the transactions contemplated hereby which would have a material adverse effect on either TELUS or Clearnet, as determined by TELUS in its sole judgement, acting reasonably;
- (d) there shall not be in force any order or decree restraining or enjoining or any prohibition at law that would not permit the consummation of the Offers, any Compulsory Acquisition or Subsequent Acquisition Transaction;

- (e) TELUS shall have determined in its sole judgment, acting reasonably that: (i) no act, action, suit or proceeding shall have been threatened or taken before or by any domestic or foreign court, tribunal or governmental agency or other regulatory or administrative agency or commission or before or by any elected or appointed public official in Canada or elsewhere, whether or not having the force of law; and (ii) no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated or applied that (A) prevents, or would reasonably after the passage of time prevent, TELUS and Acquisition Co. from proceeding with the Offers or with the right of the Offerors to own or exercise full rights of ownership of the Clearnet Shares acquired under the Offers, or any Compulsory Acquisition or Subsequent Acquisition Transaction, (B) would reasonably prevent completion of the acquisition by the Offerors of Clearnet Shares pursuant to a Compulsory Acquisition or any Subsequent Acquisition Transaction as construed under applicable Laws as of the date hereof on the basis of a majority of minority approval of the Clearnet Shareholders, or (C) if the Offers were consummated would have a material adverse effect on Clearnet;
- (f) TELUS shall have determined in its sole judgment, acting reasonably, that neither Clearnet nor any of its Subsidiaries, associates or entities in which it has a direct or indirect material interest has, since the time TELUS announced its intention to make the Offers, taken any action, or disclosed any previously undisclosed action taken by any of them, that, taken separately or together would have a material adverse effect on Clearnet;
- (g) all third party consents that are necessary as a result of the change of control of Clearnet pursuant to the Offers, the failure of which to obtain would have a material adverse effect on Clearnet, shall have been obtained on terms satisfactory to TELUS in its sole judgment, acting reasonably;
- (h) the representations and warranties of each of the Clearnet Shareholders in the respective Shareholders Agreements shall have been, as of the date made, as of the date of the Offers and as of the first Take-up Date, true and correct unless any inaccuracy in the representations and warranties would not give rise to a material adverse change or would not have a material adverse effect on the Offers and each of such parties shall in all material respects have performed each of its covenants and complied with all of its agreements to be performed and complied with by it under the respective Shareholders Agreements, unless such non-performance would not give rise to a material adverse change or would not have a material adverse effect on the Offers;
- (i) the board of directors of Clearnet shall not have withdrawn its recommendation that holders of Clearnet Shares accept the Offers or changed such recommendation in a manner that has substantially the same effect;
- (j) the representations and warranties made by Clearnet in the Support Agreement shall be true and correct as of each of the date of the Support Agreement, the mailing date of the Offers to Purchase and Circular, and the Take-up Date, as if made on and as of such dates except to the extent such representations and warranties speak as of an earlier date or except as affected by transactions contemplated or permitted by the Support Agreement or except for any failures or breaches of representations and warranties which individually or in the aggregate would not have, or would not reasonably be expected to have, a material adverse effect on Clearnet or materially impede the ability of the Offerors to acquire the Clearnet Shares under the Offers, or any Compulsory Acquisition or Subsequent Acquisition Transaction, and Clearnet shall have complied with its covenants in this Agreement, except to the extent the failure, in the reasonable judgment of TELUS, to comply with such covenants has not had, or would not reasonably be expected to have a material adverse effect on Clearnet or materially impede the ability of the Offerors to acquire the Clearnet Shares under the Offers, or any Compulsory Acquisition or Subsequent Acquisition Transaction;
- (k) there not existing or having occurred (or if there does exist or shall have previously occurred there not having been disclosed, generally or to the Banks) any change (or any condition, event or development involving a prospective change) in the business, operations, assets, capitalization, financial condition, notes, indentures, agreements, prospects, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise of Clearnet and its Subsidiaries which in the sole judgement of TELUS or the Banks would have a material adverse effect on Clearnet; and

- (l) neither TELUS nor the Banks becoming aware, after the date of the Support Agreement, of any untrue statement of a material fact or an omission to state a material fact that is required to be stated where it is necessary to make a statement not misleading in the light of the circumstances in which it was made and the date it was made (after giving effect to all subsequent filings in relation to all matters covered in earlier filings) in any document filed by or on behalf of Clearnet with any regulatory authority in Canada or elsewhere, including, without limitation, any financial statements, material change reports, press releases or management proxy circulars or in any document so filed or released by Clearnet to the public in accordance with securities regulatory requirements.

These conditions are for the exclusive benefit of the Offerors and may be asserted by the Offerors regardless of the circumstances (including any action or inaction by the Offerors or any of their affiliates) giving rise to any such assertion. The Offerors may, in their sole discretion, waive any of these conditions in whole or in part, at any time and from time to time, both before and after the Expiry Time, without prejudice to any other rights that the Offerors may have provided however that the Minimum Deposit Condition may not be waived so that the Minimum Deposit Condition becomes less than 51% of each class of Clearnet Shares, provided that if the Offerors do waive the Minimum Deposit Condition to a percentage less than 66 $\frac{2}{3}$ % but more than 51% the Offerors shall take up and pay for all Clearnet Shares deposited pursuant to the Offers as soon as permitted by applicable Laws. An Offer may be extended, varied or changed, and the condition or conditions of any Offer may be waived without similarly extending, varying or changing the other Offers or waiving a condition or the conditions of the other Offers. The failure by the Offerors at any time to exercise any of these rights shall not be deemed a waiver of any such right and each such right shall be deemed to be an ongoing right that may be asserted at any time and from time to time. Any determination by the Offerors concerning the events described in this Section 4 shall be final and binding upon all parties. See also “Background to the Offers — Support Agreement” and “— Shareholders Agreements and Related Agreements” in the Circular.

Any waiver of a condition or the withdrawal of an Offer shall be effective upon written notice (or other communication confirmed in writing) being given by the Offerors to that effect to the Depositary at its principal office in Calgary, Alberta. The Offerors, forthwith after giving any such notice, will make a public announcement of such waiver or withdrawal, cause the Depositary, if required by Law, as soon as is practicable thereafter to notify the Shareholders in the manner set forth under “Notice and Delivery” in Section 11 of the Offers to Purchase, and provide a copy of the notice to the TSE and NASDAQ. If an Offer is withdrawn, the Offerors shall not be obligated to take up, accept for payment or pay for any Clearnet Shares deposited under the Offers and the Depositary will promptly return all certificates for deposited Clearnet and Letters of Transmittal, Notices of Guaranteed Delivery and related documents to the parties by whom they were deposited.

5. Extension, Variation or Change in the Offers

Each Offer is open for acceptance until, but not after, the Expiry Time unless withdrawn or extended. The Offerors may, in their sole discretion, at any time and from time to time during the Offer Period (or otherwise as permitted by applicable Law), extend the Expiry Time or vary the terms of an Offer, in each case, by giving written notice (or other communication confirmed in writing) of such extension or variation to the Depositary at its principal office in Calgary, Alberta. Upon the giving of that notice or other communication the Expiry Time shall be, and be deemed to be, extended and such Offer varied as so provided. The Offerors will, as soon as practicable thereafter, cause the Depositary to provide a copy of the notice in the manner set forth under “Notice and Delivery” in Section 11 of the Offers to Purchase, to all holders of Clearnet Shares whose Clearnet Shares have not been taken up prior to the extension or variation. The Offerors shall, as soon as practicable after giving notice of an extension or variation to the Depositary, make a public announcement of the extension or variation in the manner required by applicable Law and provide a copy of the notice thereof to the TSE, NASDAQ and any relevant securities regulatory authority. In the case of an extension, any such announcement will be issued no later than 9:00 a.m. (New York time) on the next Business Day after the previously scheduled expiration date. Any notice of extension or variation will be deemed to have been given and to be effective on the day on which it is delivered or otherwise communicated to the Depositary at its principal office in Calgary, Alberta.

Notwithstanding the foregoing, an Offer may not be extended by the Offerors if all of the terms and conditions of such Offer (other than those waived by the Offerors) have been fulfilled or complied with, unless the Offerors first take up and pay for all Clearnet Shares then deposited under such Offer and not withdrawn. In such event, the Offers may be extended for an aggregate period not to exceed 20 Business Days (a “subsequent offering period”), beginning after the time that the Offerors pay for and exchange Clearnet Shares tendered in the Offers. During a subsequent offering period, Shareholders may tender, but not withdraw, Clearnet Shares, and receive the consideration payable in the Offers. Pursuant to Rule 14d-11 under the 1934 Act, no withdrawal rights apply to Clearnet Shares tendered in the Offers and accepted for payment or exchange. During a subsequent offering period, the Offerors will promptly deliver TELUS Non-Voting Shares and cash in consideration for Clearnet Shares tendered.

Where the terms of an Offer are varied, the Offer will not expire before 10 days after the notice of the variation has been given, unless otherwise permitted by applicable Law and subject to extension, abridgement or elimination of that period pursuant to such orders as may be granted by applicable courts and securities regulatory authorities.

If before the Expiry Time, or after the Expiry Time, but before the expiry of all rights of withdrawal with respect to an Offer, a change occurs in the information contained in the Offers to Purchase or the Circular, as amended from time to time, that would reasonably be expected to affect the decision of a Shareholder to accept or reject the Offer (other than a change that is not within the control of the Offerors or their affiliates), the Offerors will give written notice of such change to the Depositary at its principal office in Calgary, Alberta and will cause the Depositary to provide as soon as practicable thereafter a copy of such notice in the manner set forth under “Notice and Delivery” in Section 11 of the Offers to Purchase, to all registered holders of Clearnet Shares that have not been taken up under such Offer at the date of the occurrence of the change. As soon as possible after giving notice of a change in information to the Depositary, the Offerors will make a public announcement of the change in information and provide a copy of the notice thereof to the TSE and NASDAQ. Any notice of change in information will be deemed to have been given and to be effective on the day on which it is delivered or otherwise communicated to the Depositary at its principal office in Calgary, Alberta.

During any such extension, or in the event of any variation or change in information, all Clearnet Shares previously deposited and not taken up or withdrawn will remain subject to the applicable Offer and may be accepted for purchase by the Offerors in accordance with the terms hereof, subject to the provisions set out under “Withdrawal of Clearnet Shares” in Section 8 of the Offers to Purchase. An extension of the Expiry Time, a variation of an Offer or a change in information contained in the Offers to Purchase or the Circular does not constitute a waiver by the Offerors of their rights set out under “Conditions of the Offers” in Section 4 of the Offers to Purchase. If the consideration being offered for the Clearnet Shares under the Offers is increased, the increased consideration will be paid to all depositing Shareholders whose Clearnet Shares are taken up under such Offers.

See also “Background to the Offers — Support Agreement” and “— Shareholders Agreements and Related Agreements” in the Circular.

6. Payment for Deposited Clearnet Shares

Upon the terms and subject to the conditions of the Offers, the Offerors will take up Clearnet Shares duly and validly tendered to the Offers in accordance with the terms thereof on or as soon after the Expiry Time as the Offerors are permitted by Law to take up such securities and the conditions of the applicable Offers (as the same may be amended or waived) have been satisfied or waived. The Offerors will pay for Clearnet Shares taken up under the Offers in accordance with the terms of the Offers promptly and in any event, on or before the date on which the Offerors are required by Law to make such payment.

For the purposes of each Offer, the Offerors will be deemed to have taken up and accepted for payment Clearnet Shares validly deposited under the Offer and not withdrawn if, as and when the Offerors give written notice (or other communication confirmed in writing) to the Depositary to that effect.

Subject to applicable Law, the Offerors reserve the right, in their sole discretion, to delay taking up or paying for any Clearnet Shares or to terminate an Offer and not take up or pay for any Clearnet Shares if any

condition of the Offers specified under “Conditions of the Offers” in Section 4 of the Offers to Purchase, is not satisfied or waived but subject to the provisions as set forth in Section 4 of the Offers to Purchase, by giving written notice thereof (or other communication confirmed in writing) to the Depositary at its office in Calgary, Alberta. The Offerors also reserve the right, in their sole discretion and notwithstanding any other condition of the Offers, to delay taking up and paying for Clearnet Shares in order to comply, in whole or in part, with any applicable Law, including, without limitation, such period of time as may be necessary to obtain any necessary regulatory approval. The Offerors will not, however, take up and pay for any Clearnet Shares deposited under an Offer unless they simultaneously or immediately thereafter take up and pay for all Clearnet Shares then validly deposited under such Offer. Any Clearnet Shares deposited under an Offer after the first date on which Clearnet Shares have been taken up and paid for by the Offerors will be taken up and paid for promptly and in any event, not later than 10 days after such deposit. The Offerors confirm that their reservation of the right to delay payment for Clearnet Shares which they have accepted for payment is limited by the applicable securities laws which require that an offeror pay the consideration offered or return the tendered securities promptly after termination or withdrawal of an offer. Subject to applicable Law, the Offerors may, in their discretion, during any subsequent offering period, take up and pay for all such Clearnet Shares then deposited under an Offer, provided that the Offerors agree to take up and pay for all additional Clearnet Shares validly deposited thereafter.

The Offerors will pay for Clearnet Shares validly deposited under an Offer and not withdrawn by providing the Depositary with sufficient funds (by bank transfer or other means satisfactory to the Depositary) and certificates for TELUS Non-Voting Shares for transmittal to depositing Shareholders. The Depositary will act as the agent of persons who have deposited Clearnet Shares in acceptance of the Offers for the purposes of receiving payment and share certificates from the Offerors and transmitting such payment and share certificates to such persons. Receipt of payment by the Depositary will be deemed to constitute receipt of payment by persons depositing Clearnet Shares. No fractional TELUS Non-Voting Shares will be issued pursuant to the Offers. In lieu of a fractional TELUS Non-Voting Share, a Shareholder accepting an Offer will receive a cash payment determined on the basis of an amount equal to the Average Price multiplied by the fractional share amount. Under no circumstances will interest accrue or be paid by the Offerors or the Depositary on the purchase price of the Clearnet Shares purchased by the Offerors, regardless of any delay in making such payment.

Settlement with each Shareholder who shall have validly deposited and not withdrawn Clearnet Shares under an Offer will be effected by the Depositary by forwarding a cheque, payable in Canadian funds, representing the cash payment for such securities (including any fractional share amount) and with a certificate representing the TELUS Non-Voting Shares to which such Shareholder is entitled provided that, in the case of the TELUS Non-Voting Shares, the person is a resident of a province of Canada or another jurisdiction in which the TELUS Non-Voting Shares may be lawfully delivered without further action by the Offerors. Unless otherwise directed in the Letter of Transmittal, any such cheque and any such share certificate will be issued in the name of the registered holder of Clearnet Shares so deposited. Unless the person who deposits Clearnet Shares instructs the Depositary to hold such cheque and such share certificate for pick-up by checking the appropriate box in the Letter of Transmittal, such cheque and such share certificate will be forwarded by first class mail to such person at the address specified in the Letter of Transmittal. If no address is specified therein, such cheque and such share certificate will be forwarded to the address of the holder as shown on the share register maintained by Clearnet. Cheques and share certificates mailed in accordance with this paragraph will be deemed to have been delivered at the time of mailing.

Depositing Shareholders will not be obligated to pay brokerage commissions if they accept an Offer by depositing their Clearnet Shares directly with the Depositary or the U.S. Forwarding Agent or if they use the services of the Dealer Managers or of a member of the soliciting dealer group to accept the Offer. See “Other Matters Relating to the Offers — Depositary and U.S. Forwarding Agent” and “— Financial Advisors, Dealer Managers and Soliciting Dealer Group” in the Circular. If, however, the TELUS Non-Voting Shares to be received pursuant to the Offers are to be issued to, or if the certificates for Clearnet Shares not deposited or purchased are to be registered in the name of, any person other than the registered owner, or if certificates for Clearnet Shares are registered in the name of any person other than the person signing the Letter of Transmittal, the amount of any transfer taxes (whether imposed on the registered owner or such other person)

payable on account of the transfer to such person will be payable by the depositing holder unless satisfactory evidence of the payment of such taxes or an exemption therefrom is submitted.

If any deposited Clearnet Shares are not accepted for payment pursuant to the terms and conditions of the applicable Offer for any reason, or if certificates are submitted for more Clearnet Shares than are deposited, certificates for unpurchased Clearnet Shares will be returned, at the Offerors' expense, to the depositing Shareholder as soon as is practicable following the Expiry Time or withdrawal and early termination of such Offer, as the case may be, by either sending new certificates representing Clearnet Shares not purchased or returning the deposited certificates (and other relevant documents). Certificates (and other relevant documents) will be forwarded by first-class mail in the name of and to the address specified by the Shareholder in the Letter of Transmittal or, if such name or address is not so specified, in such name and to such address as shown on the share register maintained by Clearnet, as soon as practicable after the Expiry Time or withdrawal and early termination of the Offers, as the case may be.

7. Acceptance Alternative for Holding Companies

A Holdco Shareholder who holds Clearnet Shares indirectly through a Holding Company will be permitted to participate in the Offers, subject to the limitations and conditions set forth below and deposit all of the issued and outstanding shares in the capital of such Holding Company pursuant to the Offers (in lieu of the deposit of such Clearnet Shares), for the identical consideration that would have been received by the Holding Company had the Clearnet Shares been deposited directly pursuant to the Offers.

The Holdco Alternative may have income tax consequences to a particular Shareholder which are not described in the Circular. Persons wishing to avail themselves of the Holdco Alternative should consult their own tax and legal advisors.

Provided the terms and conditions set forth below shall have been satisfied and the applicable conditions of the relevant Offer shall have been satisfied or waived prior to the time by which the Offerors are obliged to take up from any Holdco Shareholders, TELUS will purchase all of the Holdco Shares from the Holdco Shareholders, where the Holding Company has advised TELUS that it wishes to take advantage of the Holdco Alternative in the manner and on or before the times provided below. TELUS currently intends to wind up each Holding Company, the shares of which have been acquired under the Holdco Alternative, into TELUS under the voluntary winding-up or dissolution procedures of the applicable corporate statute or to amalgamate the Holding Company with TELUS (thereby directly holding the Clearnet Shares previously held by the Holding Company).

A Holdco Shareholder will be permitted to avail itself of the Holdco Alternative provided that all of the following terms and conditions are satisfied:

- (a) the Holding Company is a single-purpose company;
- (b) the Holding Company is resident in Canada and a taxable Canadian corporation for purposes of the *Tax Act*;
- (c) the Holding Company has no assets other than Clearnet Shares and no liabilities whatsoever;
- (d) TELUS has had full access to conduct due diligence including full access to all of the books and records of the Holding Company and its employees, advisors and representatives on or before the Holdco Election Deadline and TELUS is satisfied, in its sole discretion, that the activities and operations of the Holding Company including any predecessor company or companies, up to the Take-up Date, will not expose TELUS to any material risk if it were to acquire the Holding Company, and merge it into TELUS;
- (e) the Holding Company advises TELUS in writing, c/o the Depositary at its office in Calgary as shown on the last page hereof at or prior to 12:00 noon (Calgary time) on or before October 2, 2000, that its Holdco Shareholder wishes to avail itself of the Holdco Alternative at which time TELUS, its employees, advisors and representatives shall be provided with access and the documents referred to in (d) above;

- (f) the Holdco Shareholder properly completes and duly executes and delivers to the Depository a Holdco Letter of Transmittal and Election Form (in a form to be provided by the Depository), together with the certificate(s) representing the Holdco Shares and the Clearnet Shares held by the Holding Company on or before the Holdco Election Deadline;
- (g) on or before the Holdco Election Deadline, the Holdco Shareholder and its Holding Company enter into a Holdco Agreement with, among others, TELUS in a form required by TELUS and provide TELUS with such documents and do such acts as may be required under the terms of the Holdco Agreement, including without limiting the generality of the foregoing, releases if required from any person with whom the Holding Company has dealings or has any indebtedness and any consents or waivers which TELUS determines may be necessary or prudent, all such documents to be in such forms as approved by TELUS in its absolute discretion;
- (h) the Holdco Shareholder provides TELUS and the Banks, if required, with security satisfactory to TELUS or the Banks, as the case may be, in respect of its indemnification obligations under the Holdco Agreement or as otherwise may be required;
- (i) the Holdco Shareholder and its Holding Company pay to TELUS on or before the Holdco Election Deadline, all costs and expenses incurred by TELUS or to be incurred by TELUS after the Take-up Date in connection with the review, consideration and completion of the Holdco Alternative for that Holding Company including costs to be paid to any counsel or advisors of TELUS and the costs (including charges for time spent) incurred by employees of TELUS in reviewing, considering and completing that Holdco Alternative and including the costs of the winding up or merger with TELUS which costs will be payable notwithstanding that the Holdco Alternative does not proceed for whatsoever reason;
- (j) the Holdco Shareholder and its Holding Company agree that the rights and obligations of TELUS under the Holdco Agreement will terminate if the Offers are withdrawn; and
- (k) not more than five Holding Companies will be purchased under the Holdco Alternative and if the Holdco Alternative is elected by more than five Holding Companies on or before the date specified in (e) above, the Holdco Alternative will not be available to any Holdco Shareholders or Holding Company;

provided that the Holdco Agreement (referred to in (g) above) and the Holdco Letter of Transmittal and Election Form (referred to in (f) above) and any accompanying required documentation must be delivered to the Depository at its offices in Calgary as set forth on the last page of this Circular at or prior to 4:30 p.m. (Calgary time) on the Holdco Election Deadline. In the event that TELUS shall acquire on the initial Take-up Date all of the Holdco Shares pursuant to a Holdco Agreement, TELUS shall be deemed for the purpose of the Offers to have taken up and paid for the Clearnet Shares held by the Holding Company.

The Holdco Shareholder must prepare and file, at its own cost and expense, all tax returns of the Holding Company in respect of all periods ending on or prior to the Effective Date, subject to TELUS' right to approve all such returns as to form and substance.

8. Withdrawal of Clearnet Shares

Except as otherwise provided in this Section 8, all deposits of Clearnet Shares under the Offers are irrevocable. Shares deposited pursuant to the Offer may be withdrawn at the place of deposit by or on behalf of the depositing Shareholder (unless otherwise required or permitted by applicable Law):

- (a) at any time before 12:01 a.m. (local time at the place of deposit) on October 19, 2000;
- (b) at any time after November 6, 2000, provided that the Clearnet Shares have not been taken up and paid for by the Offerors prior to the receipt by the Depository of the notice of withdrawal in respect of such Clearnet Shares.

In addition, if:

- (a) there is a variation of the terms of the Offers before the Expiry Time (including any extension of the period during which Clearnet Shares may be deposited hereunder, or the modification of a term or condition of the Offers,); or
- (b) a notice of change in respect of the information contained in the Offers to Purchase and the Circular, or in any subsequent notice of change or variation, is delivered to persons whose Clearnet Shares were deposited but not taken up at the date of the notice;

any Clearnet Shares deposited under the Offers at such time but not yet taken-up by the Offerors may be withdrawn by or on behalf of the depositing Shareholder at any time until the expiration of 10 days after the date upon which the notice of such change or variation is mailed, delivered or otherwise communicated, subject to abridgement of that period pursuant to such order or orders as may be granted by applicable courts or securities regulatory authorities.

Notwithstanding the foregoing, Shareholders may not withdraw Clearnet Shares validly tendered during a subsequent offering period.

In order for any withdrawal to be made, the notice of withdrawal must be in writing (which includes a telegraphic communication or notice by electronic means that produces a printed copy), and must be actually received by the Depository or the U.S. Forwarding Agent at the place of deposit of the applicable Clearnet Shares (or Notice of Guaranteed Delivery in respect thereof) within the period permitted for withdrawal. Any such notice of withdrawal must be (i) signed by or on behalf of the person who signed the Letter of Transmittal that accompanied the Clearnet Shares to be withdrawn (or Notice of Guaranteed Delivery in respect thereof), and (ii) specify such person's name, the number of Clearnet Shares to be withdrawn, the name of the registered holder and the certificate number shown on each certificate representing the Clearnet Shares to be withdrawn. Any signature on a notice of withdrawal must be guaranteed by an Eligible Institution, except in the case of Clearnet Shares deposited for the account of an Eligible Institution. The withdrawal shall take effect upon receipt of the written notice by the Depository or the U.S. Forwarding Agent.

Withdrawals may not be rescinded and any Clearnet Shares withdrawn will be deemed not validly deposited for the purposes of the Offers, but may be redeposited at any subsequent time prior to the Expiry Time by following any of the applicable procedures described in Section 3 of the Offers to Purchase, "Manner of Acceptance".

In addition to the foregoing rights of withdrawal, Shareholders in certain provinces of Canada are entitled to statutory rights of rescission or to damages, or both, in certain circumstances. See "Offerees' Statutory Rights" in the Circular.

All questions as to the validity (including timely receipt) and form of notices of withdrawal will be determined by the Offerors in their sole discretion, and such determination shall be final and binding. There will be no obligation on the Offerors, the Dealer Managers, the Depository or the U.S. Forwarding Agent to give any notice of any defects or irregularities in any withdrawal and no liability will be incurred by any of them for failure to give any such notice.

9. Mail Service Interruption

Notwithstanding the provisions of the Offers to Purchase, the Circular, the Letter of Transmittal or the Notice of Guaranteed Delivery, cheques, share certificates and any other relevant documents will not be mailed if the Offerors determine that delivery thereof by mail may be delayed. Persons entitled to cheques, share certificates and any other relevant documents that are not mailed for the foregoing reason may take delivery thereof at the office of the Depository or the U.S. Forwarding Agent to which the Clearnet Shares were deposited until such time as the Offerors have determined that delivery by mail will no longer be delayed. Notwithstanding the provisions set out under "Payment for Deposited Clearnet Shares" in Section 6 of the Offers to Purchase, cheques, share certificates and any other relevant documents not mailed for the foregoing reason will be conclusively deemed to have been delivered on the first day upon which they are available for delivery to the depositing Shareholder at the appropriate office of the Depository or the U.S. Forwarding Agent.

Notice of any determination regarding mail service delay or interruption made by the Offerors will be given in accordance with the provisions set out under "Notice and Delivery" in Section 11 of the Offers to Purchase.

10. Reorganization, Dividends and Distributions

If, on or after the date of the Offers, Clearnet should divide, combine or otherwise change any of the Clearnet Shares or its capitalization, or disclose that it has taken or intends to take any such action, the Offerors may (in their sole discretion) make such adjustments as they consider appropriate to the purchase price and the other terms of the Offers (including, without limitation, the type of securities offered to be purchased and the amounts and types of consideration payable therefor) to reflect that division, combination or other change.

Clearnet Shares acquired pursuant to the Offers shall be transferred by the Shareholder and acquired by the Offerors free and clear of all liens, charges, encumbrances, claims and equities and together with all rights and benefits arising therefrom, including the right to all dividends, distributions, payments, securities, rights, warrants, assets or other interests which may be declared, paid, issued, accrued, distributed, made or transferred on or after August 18, 2000 (the last Business Day prior to the date of the announcement of the Offers) on or in respect of the Clearnet Shares.

If Clearnet should declare or pay any dividend or declare, make or pay any other distribution or payment on or declare, allot, reserve or issue any securities, rights or other interests with respect to any Clearnet Share that is payable or distributable to Shareholders on a record date that is prior to the date of transfer into the names of the Offerors or their nominee or transferee on the register of Shareholders maintained by Clearnet of such Clearnet Share following acceptance thereof for purchase pursuant to the Offers, then the whole of any such dividend, distribution or right will be received and held by the depositing Shareholder for the account of the Offerors and shall be promptly remitted and transferred by the depositing Shareholder to the Depository or the U.S. Forwarding Agent for the account of the Offerors, accompanied by appropriate documentation of transfer. Pending such remittance, the Offerors shall be entitled to all rights and privileges as owner of any such dividend, distribution, payment, right or other interest and may withhold the entire purchase price payable by the applicable Offerors pursuant to the Offer or deduct from the purchase price payable by the Offerors pursuant to such Offer the amount or value thereof, as determined by the Offerors in their sole discretion.

11. Notice and Delivery

Any notice that the Offerors or the Depository may give or cause to be given under an Offer shall be deemed to have been properly given if it is mailed by first class mail postage prepaid to the registered holders of Clearnet Shares at their respective addresses appearing in the securities registers maintained by Clearnet and, unless otherwise specified by applicable law, will be deemed to have been received on the first business day following mailing. These provisions apply notwithstanding any accidental omission to give notice to any one or more Shareholders and notwithstanding any interruption of mail services in Canada or the United States or elsewhere following mailing.

If mail service is interrupted following mailing, the Offerors intend to make reasonable efforts to disseminate any notice by other means, such as publication. Except as otherwise required or permitted by law, if post offices in Canada or the United States or elsewhere are not open for the deposit of mail or there is reason to believe there is or could be a disruption in all or part of the postal service, any notice which the Offerors, the Depository or the U.S. Forwarding Agent may give or cause to be given under the Offers, except as otherwise provided herein, will be deemed to have been properly given and to have been received by holders of Clearnet Shares if (i) it is given to each of the TSE and NASDAQ for dissemination through their facilities; (ii) it is published once in The National Post, provided that if The National Post is not being generally circulated, publication thereof shall be made in the National Edition of The Globe and Mail or any other daily newspaper of general circulation published in the cities of Toronto and Vancouver; and (iii) it is provided by way of press release for broad dissemination in Canada and the U.S.

Wherever an Offer calls for documents to be delivered to the Depository or the U.S. Forwarding Agent those documents will not be considered delivered unless and until they have been physically received at one of the addresses listed for the Depository or the U.S. Forwarding Agent in the Letter of Transmittal or Notice of Guaranteed Delivery, as applicable.

12. Acquisition of Clearnet Shares Not Deposited

If, within 120 days after the date of the Offers and subject to the terms and conditions of the Offers, the Offers have been accepted by the holders or not less than 90% of the Clearnet Shares and such Clearnet Shares have been taken up and paid for by the Offerors, the Offerors currently intend to acquire the remaining Clearnet Shares pursuant to the compulsory acquisition provisions of the CBCA on the same terms on which the Offerors acquired Clearnet Shares pursuant to the Offers. If the Offerors take up and pay for Clearnet Shares deposited under the Offers and such statutory right of compulsory acquisition is not available or if the Offerors elect not to proceed by way of statutory right, the Offerors intend to acquire, directly or indirectly, all of the Clearnet Shares not deposited under the Offers by way of a subsequent acquisition transaction. The Offerors will cause the Clearnet Shares acquired under the Offers to be voted in favour of such a transaction and to be counted as part of any minority or independent shareholder approval that may be required in connection with such a transaction. If the Minimum Deposit Condition is satisfied, the Offerors believe that they will own sufficient Clearnet Shares to effect such a transaction. See “Acquisition of Clearnet Shares Not Deposited Under the Offers” in the Circular.

13. Other Terms of the Offers

No stockbroker, investment dealer or other person has been authorized to give any information or make any representation on behalf of the Offerors or their affiliates other than as contained herein or in the accompanying Circular, and if any such information is given or made, it must not be relied upon as having been authorized. No broker, dealer or other person shall be deemed to be the agent of the Offerors, the Dealer Manager, the Depositary or the U.S. Forwarding Agent for the purposes of the Offers. In any jurisdiction in which the Offers are required to be made by a licensed broker or dealer, the Offer shall be made on behalf of the Offerors by brokers or dealers licensed under the laws of such jurisdiction.

The Offers to Purchase and Circular constitute the take-over bid circular required under applicable Canadian securities legislation with respect to the Offers.

The Offers and all contracts resulting from the acceptance hereof shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein. Each party to any agreement resulting from the acceptance of an Offer unconditionally and irrevocably attorns to the exclusive jurisdiction of the courts of the Province of British Columbia and the courts of appeal therefrom.

The provisions of the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery accompanying the Offers to Purchase, including the instructions contained therein, as applicable, form part of the terms and conditions of the Offers. The Offerors will, in their sole discretion, be entitled to make a final and binding determination of all questions relating to the interpretation of the Offers to Purchase, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery, including, without limiting the foregoing, the validity of any acceptance of an Offer, the qualifications of any Shareholder as an Eligible Shareholder or as a resident of Canada for the purposes of section 116 of the *Tax Act*, the validity of any acceptance of the Offers and any withdrawals of Clearnet Shares, the satisfaction or non-satisfaction of any condition, the validity, time and effect of any deposit of Clearnet Shares or notice of withdrawal of Clearnet Shares, and the due completion and execution of the Letters of Transmittal and Notices of Guaranteed Delivery. The Offerors reserve the right to waive any defect in acceptance with respect to any particular Clearnet Share or any particular Shareholder. There shall be no obligation on the Offerors, the Dealer Manager, the Depositary or the U.S. Forwarding Agent to give notice of any defects or irregularities in acceptance and no liability shall be incurred by any of them for failure to give any such notification.

The Offers are not being made to, nor will deposits of Clearnet Shares be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance hereof would not be in compliance with the laws of such jurisdiction. However, the Offerors may, in their sole discretion, take such action as it may deem necessary to extend the Offers to Shareholders in any such jurisdiction.

Dated: September 20, 2000

TELUS CORPORATION

612459 B.C. LTD.

By: (Signed) DARREN ENTWISTLE
President and Chief Executive Officer

By: (Signed) DARREN ENTWISTLE
President and Chief Executive Officer

CIRCULAR

This Circular is furnished in connection with the accompanying Offers to Purchase dated September 20, 2000 by the Offerors to purchase all of the issued and outstanding Clearnet Shares, including Clearnet Shares that may become outstanding on the exercise of options, warrants, convertible debentures or other rights to purchase or acquire Clearnet Shares including pursuant to the Clearnet Convertible Debentures and the Clearnet Warrants. Shareholders should refer to the Offers to Purchase for details of their terms and conditions, including details as to payment and withdrawal rights.

The information concerning Clearnet contained in this Circular has been taken from or is based upon publicly available documents and records of Clearnet on file with Canadian securities regulatory authorities and other public sources, unless otherwise stated herein. Although the Offerors have no knowledge which would indicate that any of the statements contained herein and taken from or based on such information are untrue or incomplete, they do not assume any responsibility for the accuracy or completeness of such information, or for any failure by Clearnet to disclose publicly events or facts which may have occurred or which may affect the significance or accuracy of any such information and which are unknown to the Offerors.

BACKGROUND TO THE OFFERS

In March, 1999, George Petty, then President and Chief Executive Officer of TELUS, and James W. Peters, then Executive Vice-President, Corporate Development and Emerging Business of TELUS had an introductory meeting with George Cope and Robert Simmonds, respectively the President and Chief Executive Officer and the Chairman and Executive Vice-President, Regulatory of Clearnet, to discuss generally the possibility of a transaction between the two companies. No further meetings or discussions took place between the two companies until late 1999.

On November 10, 1999, Brian Canfield, then President and Chief Executive Officer and James W. Peters, Executive Vice-President, Corporate Development and Corporate Affairs and General Counsel of TELUS, met with George Cope, Robert Simmonds, and Robert McFarlane, Executive Vice-President, Chief Financial Officer of Clearnet, to discuss the potential benefits of a strategic combination between TELUS and Clearnet and the interests of the parties with respect thereto.

On November 19, 1999, Messrs. Canfield and Peters met with Messrs. Cope and McFarlane to discuss the nature of a potential strategic combination and to establish the parameters which would be required to be met to achieve a mutually beneficial transaction.

During the period from December 8 to December 14, 1999 various telephone conversations were held between Mr. Peters of TELUS and Mr. Cope of Clearnet where Mr. Cope advised that the nature of the transaction then being proposed by TELUS was not within the expectations of Clearnet and its Board of Directors. It was determined at that time, that any further meetings and discussions would be deferred into 2000.

On January 27, 2000, Mr. Peters together with TELUS' financial advisors met with Messrs. Cope and McFarlane and Clearnet's financial advisors at which time a proposal initiated by Clearnet was presented to TELUS which TELUS did not find acceptable.

On March 6, 2000, Mr. Peters and TELUS' financial advisors met with Messrs. Cope and McFarlane and Clearnet's financial advisors to discuss various issues relating to a strategic combination including issues relating to valuation, commitments to Clearnet's ESMR platform and Clearnet's concerns relating to foreign ownership laws. It was decided by the parties that there was not sufficient agreement on the terms of a transaction for discussions to continue and the parties agreed to defer further discussions until there was further clarity on the Spectrum Auction process.

On June 7 to 9, 2000, TELUS' board of directors and management, together with Darren Entwistle, discussed the strategy of TELUS establishing a national wireless presence and the various alternatives available to TELUS with respect thereto and determined to undertake a thorough investigation of the various alternatives.

On June 28, 2000, Industry Canada announced the framework of the Spectrum Auction which permitted TELUS to participate in that auction.

On July 14, 2000, Darren Entwistle, the present President and Chief Executive Officer of TELUS, and Mr. Cope had a telephone discussion wherein they agreed to meet to further discuss opportunities for a transaction.

At the July 26, 2000 TELUS Board meeting, Mr. Entwistle presented various strategic alternatives involving the wireless business including a transaction with Clearnet.

On July 29, 2000, Messrs. Entwistle and Cope met to discuss the benefits of the two companies coming together and to explore the opportunity of doing a transaction that would benefit both companies.

On August 3 and 4, 2000, Darren Entwistle, Barry Baptie, Executive Vice-President, Finance and Chief Financial Officer, James W. Peters, Paul Mirabelle, Vice-President, Corporate Development and Strategy of TELUS, and TELUS' financial advisors met with George Cope, Robert McFarlane, John Phillips, Executive Vice-President, Carrier Relations and General Counsel of Clearnet, and Clearnet's financial advisors. At those meetings TELUS and Clearnet formulated a non-binding set of terms and conditions relating to the Offers, the making of such Offers being subject to certain conditions including completion of satisfactory due diligence and the entering into of definitive agreements including the Shareholders Agreements.

On August 7, 2000, TELUS and Clearnet entered into a confidentiality agreement pursuant to which the parties agreed to hold all non-public, confidential or proprietary information provided to either of them by the other in confidence.

On August 8, 2000, the board of directors of TELUS met and were advised of the general terms and conditions of the Offers and the proposed business combination with Clearnet. The board of directors of TELUS provided management with authorization to continue discussions subject to completion of due diligence, arrangement of financing and final board approval.

On August 10, 2000, the board of the directors of Clearnet met and were advised of the terms of the potential transaction.

On August 13, 2000, with an effective date of August 3, 2000, Clearnet and TELUS entered into a standstill and exclusivity agreement which contained provisions, *inter alia*, to the effect that, for a period of 30 days Clearnet would deal exclusively with TELUS in respect of a business combination. This provision terminated upon execution of the Support Agreement. The standstill and exclusivity agreement also contained a mutual agreement that for a period of six months neither party would seek to acquire any assets or securities of the other.

Between the period from August 10, 2000 to August 18, 2000, the parties delivered preliminary confidential information and due diligence was conducted by each party on the other.

On August 18, 2000, the board of directors of TELUS met and was provided with information relating to the Offers, the results of preliminary due diligence and the results of the terms of the financing arrangement to complete the Offers. The board of directors gave approval to the Offers, subject to satisfactory completion of documentation and obtaining the binding Commitment Letter from the Banks with respect to the financing required to complete the Offers.

Between August 10, 2000 and August 19, 2000, Clearnet and TELUS and their respective advisors negotiated the definitive terms of the Support Agreement and the Shareholders Agreements.

On August 20, 2000, TELUS executed the Commitment Letter which was delivered by the Banks, Clearnet and TELUS entered into the Support Agreement and TELUS and the Clearnet Shareholders entered into the Shareholders' Agreements (see "— Support Agreement" and "— Shareholders Agreements and Related Agreements" below).

On August 21, 2000, before the commencement of trading of the TSE and NASDAQ, TELUS and Clearnet together announced the entering into of the Support Agreement and the Lock-up Agreements and TELUS' intention to make the Offers.

Support Agreement

Pursuant to the Support Agreement and subject to the conditions set forth therein, TELUS agreed to make the Offers. In the Support Agreement, among other matters described below, Clearnet confirmed that its board of directors had unanimously determined that the Offers are in the best interests of Clearnet, the consideration offered thereunder is fair to the holders of Clearnet Shares and agreed to recommend to Shareholders that they accept the Offers and tender their Clearnet Shares thereto.

In the Support Agreement, each of Clearnet and TELUS has agreed to co-operate with each other in order to permit the Offerors to successfully complete the Offers. Clearnet and TELUS have also agreed to operate their respective businesses in the ordinary course. TELUS has also agreed to not take any action which would reasonably be expected to significantly impede the completion of the Offers. Clearnet has agreed not to take any action that would interfere with the completion of the Offers.

Clearnet has also agreed to co-operate with TELUS in determining whether to undertake any internal reorganization that may be suggested by TELUS for the purposes of facilitating the transactions contemplated by the Support Agreement and the on-going operations of the respective businesses of TELUS and Clearnet on an efficient basis after the Take-up Date.

TELUS has agreed to not waive or amend the terms of the Offers or extend the Expiry Date of the Offers without the prior consent of Clearnet other than (i) so that any Acquisition Proposal ceases to be a Superior Proposal; (ii) to increase the consideration payable under the Offers; (iii) to extend the Expiry Date provided that the final Expiry Date may not be later than the later of (A) October 30, 2000 or (B) the day that is one week prior to the date that Industry Canada has publicly announced as the date on which it will commence the Spectrum Auction, further provided that in no event will the Expiry Date be after the Termination Date; (iv) to waive any conditions of the Offers, provided that TELUS may not waive the Minimum Deposit Condition to less than 51% of each class of Clearnet Shares outstanding.

In the Support Agreement, Clearnet has agreed that it will not, directly or indirectly, through any officer, director, employee, representative or agent of Clearnet, or any of its subsidiaries (i) solicit, initiate, invite or knowingly encourage (including by way of furnishing confidential information or entering into any form of agreement, arrangement or understanding) the initiation of or participate in any inquiries or proposals regarding an Acquisition Proposal; (ii) participate in any discussions or negotiations regarding any Acquisition Proposal; or (iii) approve or recommend any Acquisition Proposal or enter into any agreement related to any Acquisition Proposal; provided, however, that nothing in the Support Agreement may prevent the board of directors of Clearnet from considering or participating in discussions or negotiations or entering into a confidentiality agreement and providing information to a person who proposes a *bona fide* Acquisition Proposal which the board of directors of Clearnet determines would be a Superior Proposal (as that term is defined below) or recommending to its shareholders an agreement in respect of an unsolicited *bona fide* written Acquisition Proposal (i) in respect of which any required financing has been demonstrated to the satisfaction of the board of directors of Clearnet, acting in good faith, to be reasonably likely to be obtained; (ii) in respect of which the ability of the party making such unsolicited *bona fide* written Acquisition Proposal to consummate the transactions contemplated by such Acquisition Proposal and comply with the foreign ownership provisions under the *Telecommunications Act* and *Radiocommunication Act* has been demonstrated to the satisfaction of the board of directors of Clearnet, acting in good faith; (iii) which is not subject to a due diligence access condition which allows access to information not provided to TELUS; (iv) in respect of which the board of directors of Clearnet determines (having consulted outside counsel) that it is required in the exercise of its fiduciary duty to consider; and (v) in respect of which the board of directors of Clearnet determines in good faith, after consultation with financial advisors, if consummated in accordance with its terms, would result in a transaction more favourable to its Shareholders, from a financial point of view, than the Offers (any such Acquisition Proposal being referred to as a "Superior Proposal").

Notwithstanding the foregoing, Clearnet may accept, approve or recommend or enter into any agreement, undertaking or arrangement in respect of an Acquisition Proposal on the basis that it constitutes a Superior Proposal if and only if: (i) it has provided TELUS with a copy of the Acquisition Proposal document which has been determined to be a Superior Proposal and (ii) 60 hours (the "Notice Period") have elapsed from the later of the date TELUS received notice of the determination to accept, approve or recommend an agreement in

respect of such Acquisition Proposal, and the date TELUS received a copy of the Acquisition Proposal document. During the Notice Period, TELUS shall have the opportunity to offer to amend the Support Agreement and the Offers. The board of directors of Clearnet will review any offer by TELUS to amend the terms of the Support Agreement in good faith to determine, in its discretion and in the exercise of its fiduciary duties, whether TELUS' offer to amend the terms of the Support Agreement and the Offers upon acceptance by Clearnet would result in the Acquisition Proposal not being a Superior Proposal. If the board of directors of Clearnet so determines, it will enter into an amended agreement with TELUS reflecting TELUS' amended proposal and the Offers will be amended accordingly.

If at any time after the execution of the Support Agreement: (a) TELUS terminates the Support Agreement because of a breach of a representation, warranty or covenant of Clearnet in the Support Agreement other than a breach which would not reasonably be expected to have a material adverse effect on Clearnet or materially impede the ability of TELUS to complete the Offers; (b) Clearnet shall have entered into an agreement with respect to a Superior Proposal; or (c) the board of directors of Clearnet has withdrawn, qualified or changed its recommendation that the Shareholders accept the Offers or its determination that the Offers are fair to the Shareholders in a manner adverse to TELUS, except if that withdrawal, qualification or change is a result of a Specific TELUS Event, or if the board of directors of Clearnet has approved or recommended any Acquisition Proposal, Clearnet shall pay TELUS \$92,500,000.

Upon the Offerors taking up and paying for at least 51% of the Clearnet Shares under the Offers, Clearnet has agreed to reconstitute its board of directors such that it is comprised of nominees of TELUS in proportion to the percentage of votes attaching to Clearnet Shares then owned by the Offerors.

The Support Agreement is terminable in certain circumstances, including if Clearnet Shares deposited under the Offers (including those deposited by Clearnet Shareholders pursuant to the Lock-up Agreements) have not been taken up and paid for on or before October 31, 2000 (as may be extended as provided above until a date or dates not later than the Termination Date).

Shareholders Agreements and Related Agreements

On August 20, 2000, TELUS and each of the Clearnet Shareholders entered into the Lock-up Agreements. **Pursuant to the Lock-up Agreements, among other matters described below, TELUS agreed to make the Offers and each of the Clearnet Shareholders agreed irrevocably to deposit (and not withdraw) all of their Clearnet Shares to the Offers. The Clearnet Shareholders hold 3,678,260 Clearnet Non-Voting Shares (8.9%), 275,111,100 Class B Shares (85.6%), 6,092,591 Class C Shares (100% of the Class C Shares) and 7,790,741 Class D Shares (100% of the Class D Shares) representing approximately 86.2% of the voting rights attached to all Clearnet Shares and approximately 34.8% of the economic value.**

In the Lock-up Agreements, each of the Clearnet Shareholders and TELUS have agreed to co-operate with the other in its efforts to successfully complete the Offers. Each of the Clearnet Shareholders have agreed not to tender any of its Clearnet Shares to, or support or vote any of its Clearnet Shares in favour of any Acquisition Proposal.

Pursuant to the Lock-up Agreements, TELUS has agreed with each of the Clearnet Shareholders not to amend the Offers without the prior consent of Clearnet, other than to extend the Expiry Date in accordance with applicable Laws or to respond to a Superior Proposal. In addition, TELUS has agreed not to make any amendment to the Offers that is materially prejudicial to Clearnet Shareholders or would adversely affect the rights and economic benefits the Clearnet Shareholders would otherwise have received under the Offers.

The Lock-up Agreements are terminable in certain circumstances, including on the earlier of (i) the termination of the Support Agreement, other than by payment of the required fee to TELUS, (ii) September 30, 2000 if the Offers have been made but are withdrawn, (iii) 10 days after the Expiry Date (as may be extended as provided above until a date or dates not later than the Termination Date); and (iv) November 30, 2000.

Nextel International Inc. ("Nextel") and Motorola Canada Limited ("Motorola") have each agreed to elect to receive TELUS Non-Voting Shares in exchange for 100% and 75%, respectively, of the Clearnet Shares owned by them, representing an aggregate of 22.5 million TELUS Non-Voting Shares. Nextel and Motorola have also agreed to hold and not dispose of these shares for a period of up to one year following the date the Clearnet Shares are taken-up and paid for under the Offers.

Madison Dearborn Capital Partners, L.P. and Lenbrook Inc. have each entered into a non-competition agreement with TELUS and Clearnet whereby they have agreed for a period of six months from the Take-up Date not to compete with TELUS and Clearnet in the mobile phone telecommunications sector or carry on any wireless communications business within Canada that competes with that business.

In addition TELUS affirmed to Motorola Canada Limited Clearnet's commitment to the Mike iDEN network and its buildout. See "Plans for Clearnet" below.

Officers of Clearnet have entered into agreements with TELUS agreeing to tender to the Offers the Clearnet Shares held by them. These persons hold 18,592,949 Clearnet Shares and 2,458,398 Clearnet Options which may be exercised for Clearnet Non-Voting Shares for the purpose of the Offers.

Purpose and Benefits of the Offers

The purpose of the Offers is to enable TELUS to acquire all of the issued and outstanding Clearnet Shares, including Clearnet Shares which may become outstanding on the exercise of stock options, warrants, convertible debentures or other rights to purchase or acquire Clearnet Shares. See also "Acquisition of Clearnet Shares Not Deposited Under the Offers" in the Circular. The exact timing and details of a Compulsory Acquisition and Subsequent Acquisition Transaction involving Clearnet will necessarily depend upon a variety of factors, including the number of Clearnet Shares acquired pursuant to the Offers.

Although TELUS currently intends to propose a Compulsory Acquisition or a Subsequent Acquisition Transaction generally on the same terms as the Offers, it is possible that, as a result of delays in the Offerors' ability to effect such a transaction, information hereafter obtained by the Offerors, changes in general economic, industry or market conditions or in the business of Clearnet, or other currently unforeseen circumstances, such a transaction may not be so proposed, may be delayed or abandoned or may be proposed on different terms. The Offerors expressly reserve the right not to propose a Compulsory Acquisition or Subsequent Acquisition Transaction involving Clearnet, or to propose a Subsequent Acquisition Transaction on terms other than those described herein.

If the Offerors decide not to propose a Compulsory Acquisition or a Subsequent Acquisition Transaction, or propose a Subsequent Acquisition Transaction but cannot promptly obtain any required approvals, the Offerors will evaluate their other alternatives. Such alternatives could include, to the extent permitted by applicable Law, purchasing additional Clearnet Shares in the open market, in privately negotiated transactions, in another take-over bid or exchange offer or otherwise, or taking no further action to acquire additional Clearnet Shares. Any additional purchases of Clearnet Shares could be at a price greater than, equal to or less than the price to be paid for Clearnet Shares under the Offers and could be for cash, securities and/or other consideration. Alternatively, the Offerors may sell or otherwise dispose of any or all Clearnet Shares acquired pursuant to the Offers, on terms and at prices then determined by the Offerors, which may vary from the price paid for Clearnet Shares under the Offers, or may sell interests in Clearnet.

Benefits of the Offers

The major benefits of the Offers to Shareholders are:

- (i) a significant return on their investment, with the cash consideration of \$70 representing a 53% premium to the closing price of the Clearnet Non-Voting Shares on August 18, 2000, the last trading day prior to the announcement of the Offers, and
- (ii) for those Shareholders who receive TELUS Non-Voting Shares as part or full consideration for the Offers, the opportunity to invest in a full service telecommunications provider that is becoming a national player.

TELUS shares offer participation in a more competitive national telecommunications company than either Clearnet or TELUS would be on its own and should generate greater opportunities to deliver greater value to their shareholders. The Canadian industry for mobile telecommunications services is undergoing rapid growth as consumers and businesses have endorsed the benefits of mobile telephony. Furthermore, the wireline and wireless services are converging. TELUS has launched national telecommunications services and is building infrastructure. TELUS expects that the combination of Clearnet with TELUS will result in an entity that is

better positioned to take advantage of the opportunities presented by the rapidly growing telecommunications industry and data services market. The combination of Clearnet with TELUS increases the areas in which TELUS will offer both wireline and wireless services and it will increase the opportunity to offer customers across the country bundles of communications services.

The combined company's operational strength and scale are expected to enhance its ability to develop existing networks and be at the forefront of the provision of technologically advanced products and services. TELUS management expects the combined companies to lead the Canadian wireless market according to most performance metrics (i.e., market share as a percent of revenue, market share of new subscribers, average revenue per customer and spectrum).

TELUS believes that Clearnet is better placed to capture these opportunities as a part of TELUS than on its own. TELUS will be able to fund the rapid growth requirements of the wireless and data business opportunities since TELUS' wireline business has historically provided a substantial, stable cash flow. Furthermore, TELUS' management has a strong track record of achieving synergies in previous mergers and acquisitions and expects to create substantial value through this acquisition. It is expected that Clearnet and TELUS will benefit from significant strategic partnerships with Verizon, Motorola and Nextel. Through TELUS, the combined company should also be able to leverage the national TELUS network being constructed. This network combined with the national CDMA and Mike networks should also provide scale and resources to lead the Canadian industry in the deployment of mobile data applications.

TELUS has established relationships with several content and e-commerce providers on both its wireline and wireless businesses. TELUS has launched mobile data applications in Western Canada. Since Clearnet customers have the highest proportion of web enabled phones of any Canadian wireless operator, TELUS believes the combined companies' resources and expertise can be leveraged to accelerate wireless data and e-commerce penetration on a national scale. TELUS anticipates that the combined mobile group will be an operator and partner of choice for major content e-commerce providers.

PLANS FOR CLEARNET

Following the merger of BC TELECOM Inc. and the former TELUS Corporation in 1999 to form TELUS, TELUS' strategy has been to become a national, full service telecommunications provider.

In the wireless segment of the telecommunications market, TELUS was faced with a choice of acquiring a national mobile wireless provider, acquiring additional spectrum and building infrastructure in those provinces and territories in Canada where it has no or very limited facilities-based presence, or continuing as a reseller of another operator's services.

TELUS management expects the acquisition of Clearnet to accelerate TELUS' entry into the national mobile wireless market by approximately three years (relative to the alternative of acquiring spectrum and building) and to allow it to attain significant scale advantages. TELUS believes the wireless industry structure will be stronger as a result of the completion of its acquisition of Clearnet. The acquisition of Clearnet is expected to make TELUS the largest wireless operator in Canada in terms of annual revenue, customer growth and wireless spectrum position. Management estimates that the combined entity will have more than 1.8 million customers, a license to provide coverage to 30.7 million potential customers and existing digital network coverage for more than 21 million potential customers across Canada.

The acquisition of Clearnet is also expected to facilitate the realization of TELUS' second priority, the expansion of its data and Internet Protocol capabilities. The Clearnet national wireless access capabilities and customer base will complement existing and planned TELUS capabilities in the data and Internet Protocol segments of the market. This acquisition provides TELUS with a national wireless footprint and a customer base from which to grow its business across Canada.

The major benefits of this acquisition to TELUS are: (i) speed to market, (ii) a national spectrum rich footprint, (iii) an experienced management team and skilled employee base that will complement the existing talent pool within TELUS, (iv) a complement to TELUS' data and Internet Protocol strategy, and (v) economic benefits over a build strategy.

TELUS intends to integrate Clearnet with its existing mobile wireless business and operate them nationwide. TELUS further intends Clearnet to continue to build out its Mike iDEN network in Canada to the extent economically feasible and to increase its population coverage by four million by the end of 2003. Given the compatibility in technology (TELUS and Clearnet both use CDMA technology for their PCS networks), and the complementarity of geography in which TELUS and Clearnet currently provide mobile wireless services, TELUS expects the business of Clearnet to complement its existing mobile wireless business.

The integration is expected to enhance TELUS' ability to (i) offer bundled or packaged wireless and wireline telecommunications services on a national basis, thereby increasing customer choice, (ii) develop and sell new applications, such as data and Internet, for wireless services and develop future technologies, and (iii) achieve economies of scale, thereby reducing capital and operating expenditures.

In addition, TELUS management has identified significant operating synergies and tax synergies. The operating synergies include the elimination of overlapping branding and advertising expenses, conversion of roaming traffic to each other's networks, increasing efficiency in network operations and rationalization of corporate and back-office expenses.

If TELUS is successful and acquires control of Clearnet as a result thereof, it is further expected that certain changes will be effected with respect to the composition of the board of directors of Clearnet to allow nominees of TELUS to become members of the board of directors of Clearnet. In addition TELUS and Clearnet may, subject to Clearnet's agreement, effect an internal reorganization prior to the Take-up Date in order to realize certain efficiencies. See "Background to the Offers — Support Agreement".

TELUS intends to liquidate Clearnet into, or amalgamate Clearnet with one or more affiliates of TELUS or to otherwise combine the business operations of Clearnet and TELUS to achieve the objectives set out above.

If permitted by applicable law, subject to the completion of the Offers, if all of the issued and outstanding Clearnet Shares are acquired as a result of the Offers, a Compulsory Acquisition or a Subsequent Acquisition Transaction, if any, the Offerors intend to delist the Clearnet Non-Voting Shares from the TSE and NASDAQ. See "Price Range and Trading Summary of Clearnet Non-Voting Shares".

SOURCE OF FUNDS

TELUS has entered into the Commitment Letter for the provision of senior credit facilities in an aggregate amount of up to \$7.7 billion through The Toronto-Dominion Bank and Morgan Guaranty Trust Company of New York (collectively the "Banks"). The credit facilities (the "Credit Facilities") will be available in three tranches, in the amounts of \$5 billion ("Tranche A"), \$1.25 billion ("Tranche B") and \$1.45 billion ("Tranche C"), respectively. The purposes of the Credit Facilities will be to finance the Offers, finance existing and acquired indebtedness and to provide funds which may be required to make the required offers to purchase outstanding notes of Clearnet. The Banks have committed to fully underwrite the Credit Facilities and will act as agents in a planned syndication of a portion of the commitment to a group of financial institutions. Tranche A will be comprised of a 364 day non-revolving bridge facility, Tranche B will be comprised of a 364 day revolving line of credit and Tranche C will be comprised of a 364 day non-revolving liquidity backstop facility. Security for repayment of the Credit Facilities includes the pledge of certain shares of specified subsidiaries of TELUS, including those of Acquisition Co.; the assignment of demand intercompany loans made by TELUS to effect the Offers; the assignment of any secured or unsecured intercompany debt owed by Clearnet to TELUS; and the unlimited joint and several guarantees of certain specified subsidiaries of TELUS and Acquisition Co. TELUS has agreed, pursuant to a fee letter with the Banks, to pay an underwriting and structure fee equal to 1.5% of Tranche A and B and 0.25% on Tranche C, 35% of which was paid on signing the Commitment Letter and the balance to be paid on the Take-up Date. In addition TELUS will pay an amount equal to 2.25% of any amount drawn down under Tranche C from time to time. TELUS will be obligated to pay an annual agency fee to be negotiated.

The funds obtained pursuant to the Credit Facilities will bear interest, at the base rate (plus a margin) or a specified margin over LIBOR, in the case of borrowings in U.S. funds. There is provision for lenders to provide short term loans where the interest rate for borrowings is based on a specified margin over the lender's cost of funds.

Covenants contained in the Credit Facilities limit certain corporate acts of TELUS and its subsidiaries and require TELUS and its subsidiaries to meet certain financial tests and to supply certain information to the Banks. The Credit Facilities also include additional covenants, representations, warranties, conditions and default provisions, which are customary for such credit facilities.

TELUS expects that the amounts advanced pursuant to the Credit Facilities will be repaid or refinanced, in whole or in part, with funds generated from operations, issuances of debt and/or equity sales of assets or additional financings, the terms of which will be subject to market conditions and other factors prevailing at the relevant time.

SELECTED PRO FORMA FINANCIAL INFORMATION

The following table sets out certain pro forma consolidated financial information for TELUS and Clearnet as at June 30, 2000 and the six month period then ended, after giving effect to the acquisition by the Offerors of all of the Clearnet Shares pursuant to the Offers and certain other adjustments. The pro forma consolidated financial information is not necessarily indicative of the results that actually would have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. No attempt has been made to calculate or estimate the effect of any potential synergies or harmonization of accounting policies between the two companies. See Schedule II — “TELUS Corporation Unaudited Pro Forma Consolidated Financial Statements”.

For the six months ended June 30, 2000
(Millions, except per share amounts and operating statistics)

	<u>Pro Forma</u>
Financial	
Operating revenues	\$3,251.2
EBITDA	\$1,146.8
Operating income	\$ 485.0
Net income before goodwill amortization	\$ 94.9
Goodwill amortization	\$ 123.8
Common share loss	\$ (30.7)
Earnings (loss) per Share	
Before goodwill charges	\$ 0.32
Net	\$ (0.11)
Capital expenditures	\$ 610.9
Operating statistics	
Wireless	
Cellular customers, end of period ⁽¹⁾⁽²⁾ (000's)	1,907
Net additions ⁽³⁾ (000's) (last 12 months)	400
Average monthly revenue (ARPU) (last 12 months)	\$ 57
Other⁽⁴⁾	
Network access lines, end of period (000's)	4,893
Internet customers, end of period (000's)	435

Certain book value information is set out in Annex A hereto.

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- (1) Includes 46,000 QuébecTel cellular customers. TELUS purchased approximately 70% of QuébecTel on June 1, 2000
 - (2) Includes digital and analogue cellular customers, ESMR customers, and analogue SMR customers
 - (3) Net additions and Average monthly revenue excludes QuébecTel
 - (4) Includes 302,000 QuébecTel access lines and 81,000 QuébecTel Internet customers

CLEARNET

Clearnet Communications Inc. is a holding company that was continued under the CBCA on October 20, 1994. Clearnet has two principal wholly-owned subsidiaries, Clearnet Inc., and Clearnet PCS Inc., both of which are CBCA corporations. The registered head office of each corporation is located at 200 Consilium Place, Scarborough, Ontario, M1H 3J3 and the telephone number is (416) 279-9000.

Clearnet Inc. owns and operates an Enhanced Specialized Mobile Radio (“ESMR”) digital wireless business communications service under the Mike™ trademark (“Mike”), an analogue dispatch Specialized Mobile Radio (“SMR”) service and a multi-location mobile communications sales and service dealership division.

Clearnet PCS Inc. owns and operates a PCS digital wireless communications service under the Clearnet PCS™ trademark and numerous retail store outlets.

Clearnet is one of Canada’s leading wireless telecommunications companies, offering a combination of wireless services addressing the varied needs of distinct market segments. As at June 30, 2000, Clearnet’s PCS network covered a population of 17.2 million (28 million with analogue cellular through roaming agreements made by Clearnet) and Clearnet’s ESMR Mike network covered a population of 20.8 million. As at June 30, 2000, Clearnet provided wireless services to 693,540 subscribers, consisting of: 398,300 PCS subscribers (49,090 of which were added in the first half of 2000); 274,175 ESMR subscribers (64,054 of which were added in the first half of 2000); and 21,065 SMR subscribers. Clearnet holds one of only two high-capacity 30 MHz PCS licenses in Canada and is the only company with two state-of-the-art and complementary digital wireless services in Canada.

The Clearnet Non-Voting Shares trade in Canadian currency on the TSE under the stock symbol: NET.A and in U.S. currency on NASDAQ under the stock symbol: CLNT. Based upon information provided by Clearnet, TELUS believes that, as of September 18, 2000, there were approximately 48,695,323 Clearnet Non-Voting Shares, 321,321,912 Class B Shares, 6,092,591 Class C Shares and 7,790,741 Class D Shares, outstanding on a fully-diluted basis.

MATERIAL CHANGES AND OTHER INFORMATION CONCERNING CLEARNET

The Offerors have no information which indicates any material change in the affairs of Clearnet since the date of the last published financial statements of Clearnet other than as has been publicly disclosed by Clearnet. The Offerors have no knowledge of any material fact concerning securities of Clearnet that has not been generally disclosed by Clearnet or any other matter that has not previously been generally disclosed but which would reasonably be expected to affect the decision of Shareholders to accept or reject the Offers.

TELUS AND ACQUISITION CO.

TELUS

TELUS was incorporated under the *Company Act* (British Columbia) on October 26, 1998, as BCT.TELUS Communications Inc. and on May 3, 2000 changed its name to TELUS Corporation. TELUS’ executive and registered offices are located at 21st Floor, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7.

TELUS is the second largest Canadian telecommunications provider with a full range of communication services. Its subsidiaries provide telecommunications services and solutions including voice, data, cellular, Internet, information management and advertising. Voice and data communications, carried over both wireline and wireless networks, are the major lines of business. Interconnection with other communications carriers enables the customers of TELUS to communicate nationally and globally.

TELUS’ serves approximately 99% of British Columbia’s population of approximately 4.0 million residents and approximately 100% of Alberta’s population of approximately 3.0 million residents. Its network includes the British Columbia and Alberta portion of a cross Canada route for wireline, data and image communications services including the British Columbia and Alberta portion of the coast-to-coast microwave networks and the transcontinental high-density fibre optic transmission system used by the incumbent local exchange carriers. TELUS is building its own national fibre network, supplemented by fibre rings in certain metropolitan areas. As

part of its national strategy, TELUS plans to compete outside its incumbent territory as a CLEC. TIC has obtained final approval to operate as a CLEC in downtown Toronto. TELUS is pursuing CLEC status in other areas of Canada outside of Alberta, British Columbia and the QuébecTel Territory. TIC currently offers business wireline voice and data services, with points of presence in: Regina, Saskatoon, Winnipeg, Burlington, Chatham, Hamilton, Kitchener, London, Mississauga, Oshawa, Ottawa, Toronto and Windsor. Further expansion in Ontario and Nova Scotia is planned for later this year. TIC also offers inter-networking and managed application services in Ontario and Québec. TIC plans to offer regional Internet portal services in Ontario by the end of 2000. TELUS' approximately 70% owned subsidiary, QuébecTel Group owns and operates the second largest telecommunications system in Québec providing telecommunications services primarily in central and eastern Québec. It has offices in Rimouski and the other major cities in Québec, including Montreal and Québec City. The TELUS network also interconnects with the network of GTE Corporation, a part of Verizon Communications and Verizon Wireless, Genuity (formerly a subsidiary of GTE Corporation) and the networks of other carriers in the U.S. for the exchange of U.S. and international traffic.

TELUS carries on its full range of business throughout British Columbia, Alberta and in the QuébecTel Territory. As part of its national growth strategy, TELUS is expanding into new geographic areas and emerging communications businesses.

TELUS, through its TELUS Communications division, provides local and long distance wireline services. Local wireline services allow customers to complete calls in their local calling areas and to access long distance networks, cellular networks and the Internet. Virtually all homes and businesses in the TELUS serving territories have access to some or all of its local services. In addition to local calling, local services generally include: enhanced calling features, such as call display, call waiting, call forwarding and voice mail; Centrex for business customers; public pay telephones; and competitive long distance carrier access. Local access or exchange service is the largest component of local wireline service offered by the subsidiaries of TELUS. Local wireline service is generally provided on a monthly, flat rate basis.

CLECs operating in Alberta and British Columbia provide service to their customers over facilities they have constructed, over facilities leased from subsidiaries of TELUS or by reselling the service of those subsidiaries. CLECs that use their own facilities or facilities leased from subsidiaries of TELUS are eligible for a subsidy when they provide service to residential customers living in areas where that TELUS subsidiary receives a subsidy.

TELUS Mobility is one of the major wireless and PCS providers in Canada offering both analogue and digital voice and data services and paging services. The TELUS Mobility division offers services in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. Effective May 11, 1999, TELUS Mobility negotiated the right to offer services outside of British Columbia and Alberta on a national basis via resale, as a result of a new agreement among Mobility Canada members. This new agreement does not restrict Mobility Canada members from competing in each other's territories. TELUS Mobility customers are able to roam throughout Canada through its agreement with Mobility Canada members, and throughout North America through its own and Mobility Canada's arrangements with other cellular providers.

TELUS is the second largest Internet service provider in Canada. Business customers are increasing their use of data services such as business intranets, electronic commerce and computer applications. Residence customers are increasing their use of personal computer access, Internet access, and facsimile transmission. TELUS also offers a range of advanced intelligent network services — services that can be customized to meet the specific needs of individual customers through software changes to network switches. These services include special number services such as 1-800 and 1-900 services, enhanced call routing services and specialized Internet access services.

The TELUS Common Shares and the TELUS Non-Voting Shares are listed for trading on the TSE under the symbol "T" and "TA", respectively.

Acquisition Co.

612459 B.C. Ltd., Acquisition Co., is a wholly-owned indirect subsidiary of TELUS. Acquisition Co. was incorporated under the *Company Act* (British Columbia) on August 17, 2000 as a "shelf corporation" and

subsequent thereto, was organized for the purpose of making the Offers. The registered and head office of Acquisition Co. is located at 21st Floor, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7.

ADDITIONAL INFORMATION CONCERNING TELUS

Recent Transactions

Since the date of publication of its last financial statements, TELUS on August 17, 2000 acquired the remaining 25% of ISM Information Systems Management (B.C.) Corporation (“ISM-BC”) from a subsidiary of IBM Canada Limited. ISM-BC provides information technology outsourcing services primarily for customers in British Columbia.

Share Capital

The authorized capital of TELUS consists of 4,000,000,000 shares divided into 1,000,000,000 TELUS Common Shares, 1,000,000,000 TELUS Non-Voting Shares, 1,000,000,000 First Preferred Shares without par value and 1,000,000,000 Second Preferred Shares without par value. The following is a summary of the material provisions of the share capital of TELUS:

TELUS Common Shares and TELUS Non-Voting Shares. Subject to the prior rights of the holders of First Preferred Shares and Second Preferred Shares, the TELUS Common Shares and the TELUS Non-Voting Shares are entitled to participate equally with each other with respect to the payment of dividends and the right to participate in the distribution of assets of TELUS on the liquidation, dissolution or winding up of TELUS.

Neither the TELUS Common Shares nor the TELUS Non-Voting Shares can be subdivided, consolidated, reclassified or otherwise changed unless the other class is changed in the same manner.

The holders of the TELUS Common Shares are entitled to receive notice of, attend, be heard and vote at any general meeting of the members of TELUS on the basis of one vote per TELUS Common Share held. The holders of TELUS Non-Voting Shares are entitled to receive notice of, attend and be heard at all general meetings of the members of TELUS and are entitled to receive all notices of meetings, information circulars and other written information from TELUS that the holders of TELUS Common Shares are entitled to receive from TELUS, but are not entitled to vote at such general meetings unless otherwise required by law.

The Articles of TELUS provide for cumulative voting. Cumulative voting is a mechanism which permits proportional board representation of significant shareholder minorities. In the absence of cumulative voting, a shareholder is entitled to cast one vote for each share held. Under cumulative voting, directors are elected through a rule that permits a sufficiently large minority to win one or more seats. For each voting share held, a shareholder will receive votes equal to the number of directors to be elected (i.e., 16 votes) and may cast all votes in favour of one candidate or distribute the votes among the candidates as the shareholder chooses. The greater the number of directors to be elected, the smaller the minority shareholding necessary to elect one director.

In order to ensure that the holders of the TELUS Non-Voting Shares can participate in any offer which is made to the holders of the TELUS Common Shares (but is not made to the holders of TELUS Non-Voting Shares on the same terms), which offer must by reason of applicable securities legislation or the requirements of a stock exchange on which the TELUS Common Shares are listed be made to all or substantially all the holders of TELUS Common Shares who are in any province of Canada to which the requirement applies (an “Exclusionary Offer”), each holder of TELUS Non-Voting Shares will, for the purposes of the Exclusionary Offer only, be permitted to convert all or part of the TELUS Non-Voting Shares held into an equivalent number of TELUS Common Shares during the applicable conversion period. In certain circumstances (namely, the delivery of certificates, at specified times, by holders of 50% or more of the issued and outstanding TELUS Common Shares to the effect that they will not, among other things, tender to such Exclusionary Offer or make an Exclusionary Offer), these conversion rights will not come into effect.

If the *Telecommunications Act* is changed so that there is no restriction on any non-Canadians holding TELUS Common Shares, holders of TELUS Non-Voting Shares will have the right to convert all or part of their TELUS Non-Voting Shares into TELUS Common Shares on a one for one basis, and TELUS will have the right

to require holders of TELUS Non-Voting Shares who do not make such an election to convert such shares into an equivalent number of TELUS Common Shares.

TELUS will provide notice to each holder of TELUS Common Shares before a general meeting of members at which holders of TELUS Non-Voting Shares will be entitled to vote as a class. In such event, holders of TELUS Common Shares will have the right to convert all or part of their TELUS Common Shares into TELUS Non-Voting Shares on a one for one basis provided and to the extent that TELUS and its subsidiaries remain in compliance with the foreign ownership provisions of the *Telecommunications Act*.

The TELUS Common Shares are subject to constraints on transfer to ensure TELUS' ongoing compliance with the foreign ownership provisions of the *Telecommunications Act*. As well, holders of TELUS Common Shares will have the right, if approved, by the board of directors of TELUS, to convert TELUS Common Shares into TELUS Non-Voting Shares in order that TELUS be in compliance with the foreign ownership provisions of the *Telecommunications Act*.

In all other respects, each TELUS Common Share and each TELUS Non-Voting Share have the same rights and attributes.

First Preferred Shares. The First Preferred Shares may be issued from time to time in one or more series, each series comprising the number of shares, and having attached thereto the designation, rights, privileges, restrictions and conditions which the board of directors of TELUS determines by resolution and subject to filing an amendment to the Memorandum and Articles of TELUS. No series of First Preferred Shares may have attached thereto the right to vote at any general meeting of TELUS or the right to be convertible into or exchangeable for TELUS Common Shares. Except as required by law, the TELUS holders of the First Preferred Shares as a class are not entitled to receive notice of, attend or vote at any meeting of the members of TELUS. The First Preferred Shares rank prior to the Second Preferred Shares, TELUS Common Shares and TELUS Non-Voting Shares with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of TELUS.

Second Preferred Shares. The Second Preferred Shares may be issued from time to time in one or more series, each series comprising the number of shares, and having attached thereto the designation, rights, privileges, restrictions and conditions, which the board of directors of TELUS determines by resolution and subject to filing an amendment to the Memorandum and Articles of TELUS. No series of Second Preferred Shares may have attached thereto the right to vote at any general meeting of TELUS or the right to be convertible into or exchangeable for TELUS Common Shares. Except as required by law, the holders of the Second Preferred Shares as a class are not entitled to receive notice of, attend or vote at any meeting of the members of TELUS. The Second Preferred Shares rank, subject to the prior rights of the holders of the First Preferred Shares, prior to the TELUS Common Shares and TELUS Non-Voting Shares with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of TELUS.

TELUS Rights Plan

On March 20, 2000, the board of directors of TELUS adopted a shareholder rights plan (the "Rights Plan") and issued one right (a "Series A Right") in respect of each TELUS Common Share outstanding as at such date and issued one right (a "Series B Right") in respect of each TELUS Non-Voting Share outstanding as of such date. TELUS Non-Voting Shares issued in consideration for Clearnet Shares purchased by the Offerors under the Offers will have attached thereto one Class B Right for each such TELUS Non-Voting Share issued. Each Series B Right, other than those held by an Acquiring Person (as defined in the Rights Plan) and certain of its related parties, entitles the holder in certain circumstances following the acquisition by an Acquiring Person of 34.2% or more of the voting shares of TELUS (otherwise than through the "Permitted Bid" requirements of the Rights Plan) to purchase from TELUS \$320 worth of TELUS Non-Voting Shares for \$160 (i.e., at a 50% discount). The foregoing is qualified in its entirety by the full text of the Rights Plan which has been attached to the management proxy circular of TELUS dated March 30, 2000 which is incorporated by reference herein.

Pre-emptive Rights

GTE Corporation (a part of Verizon Communications) has the right to acquire its pro rata share of any issue by TELUS of TELUS Common Shares or TELUS Non-Voting Shares including the TELUS Non-Voting Shares to be issued under the Offers.

Price Range and Trading Volume of TELUS Non-Voting Shares

The TELUS Non-Voting Shares are listed and posted for trading on the TSE. The following table sets forth the high and low sales prices and volumes of sales of the TELUS Non-Voting Shares traded on the TSE for the periods indicated.

	Price Range		Volume (No. of Shares)
	High \$	Low \$	
2000			
First Quarter	44.25	33.00	10,348,416
April	43.05	37.50	1,833,287
May	41.75	34.60	3,126,084
June	42.95	35.50	3,013,593
July	46.45	40.10	1,701,073
August	46.15	34.10	16,716,510
September 1 to September 18	40.65	38.55	5,247,990
1999			
February 1 to March 31	40.75	33.50	5,423,080
Second Quarter	39.50	33.95	4,251,753
Third Quarter	35.35	28.80	3,700,192
Fourth Quarter	35.95	27.25	4,522,370

There is no history of trading of TELUS Non-Voting Shares prior to February 1, 1999 as those shares were issued as part of the arrangement between BC Telecom Inc. and TELUS Corporation on that date.

On August 18, 2000, the last trading day prior to the public announcement by TELUS of its intention to make the Offers, the closing trading price of a TELUS Non-Voting Share was \$43.25 per share and the weighted average trading price of the TELUS Non-Voting Shares was \$42.79, on the TSE. The closing price of a TELUS Non-Voting Share on September 18, 2000 was \$39.60 on the TSE.

Ownership of TELUS Shares

To the knowledge of the Offerors and their directors and officers after reasonable inquiry, no person or company beneficially owns, directly or indirectly, or controls or exercises direction over more than 10% of any class of equity securities of TELUS or shares of TELUS carrying more than 10% of the votes attached to the shares of TELUS other than Anglo-Canadian Telephone Company (“Anglo-Canadian”) which owned, directly and indirectly on September 18, 2000, 47,354,954 TELUS Common Shares and 15,784,984 TELUS Non-Voting Shares representing approximately 26.6% of the issued and outstanding TELUS Common Shares and TELUS Non-Voting Shares, respectively. Anglo-Canadian is beneficially owned and controlled as to 100% of its Common Shares by GTE Corporation, a part of Verizon Communications of New York. No person or company is acting jointly or in concert with the Offerors.

Dividend Policy

The declaration and payment of dividends is at the sole discretion of its board of directors and will be dependent upon TELUS’ results of operations, financial condition and cash requirements from time to time, and subject to restrictions on dividends set forth in TELUS’ existing and future credit arrangements. Since February 1, 1999, the board of directors of TELUS has declared and paid quarterly dividends of \$0.35 per TELUS Non-Voting Share. It is not TELUS’ current intention to reduce dividend payments. See also

“Dividends” in TELUS’ Annual Information Form dated March 17, 2000 which is incorporated by reference in this Circular.

Risk Factors

Expenditures, Capital and Demand for Services

The level of expenditures necessary to maintain quality of service, the availability and cost of capital, and the extent of demand for telephone access lines, optional services, basic long distance services, wireless services and new and emerging services, in the markets served by TELUS, constitute factors which could materially affect its results of operations and financial condition in the future. The level of expenditures could materially increase as TELUS seeks to expand the scope and scale of its businesses beyond traditional territories and service offerings. Furthermore, as TELUS incurs additional expenditures to update its networks, products and services to remain competitive, it is exposed to incremental financial risks associated with newer technologies that are subject to accelerated obsolescence.

Economic Fluctuations

TELUS’ performance is affected by the general condition of the economy, with demand for services and the amount of use tending to decline when economic growth and retail activity decline. It is not possible for TELUS to accurately predict economic fluctuations and the impact of such fluctuations on its performance.

No Voting Rights for TELUS Non-Voting Shares

The holders of TELUS Non-Voting Shares are entitled to receive notice of, attend and be heard at all general meetings of the shareholders of TELUS and are entitled to receive all notices of meetings, information circulars and other written information from TELUS that the holders of TELUS Common Shares are entitled to receive from TELUS, but are not entitled to vote at such general meetings unless otherwise required by law. The decisions regarding the management of TELUS’ affairs will be made exclusively by the officers and directors of TELUS and the holders of TELUS Common Shares and not by the holders of TELUS Non-Voting Shares.

Increasing Competition

The significant growth and size, as well as the increasing global scope, of the telecommunications industry is attracting new entrants and encouraging parties other than existing participants to expand their services and their markets. Mergers and acquisitions, as well as alliances and joint ventures, are creating new or larger participants with broad skills and significant resources which will further impact the competitive landscape. Current and future competitors are coming not just from within Canada, but also globally, and will include not only major telecommunications companies, but also cable companies, Internet companies, wireless service providers and other companies that offer network services, such as providers of business information systems and systems integrators, as well as an increasing number of other companies that deal with or have access to customers through various communications networks. Many of these companies are significant in size and resources and have a significant market presence with broad recognition and existing customer relationships.

The markets for wireless telephone services, terminal equipment, certain data services, Internet service provisions, long distance services, including competitive routes in the interexchange private line market, have all been found by the CRTC to be sufficiently competitive to permit the CRTC to refrain from regulating these services and the CRTC has done so through the issuance of forbearance orders. These forbearance orders relieve the incumbent telephone companies from the obligation to file tariffs for CRTC approval of price changes, however, competitive pressure may cause price erosion. In most cases, forbearance orders continue to require that the services be subject to “light-handed” CRTC regulation with respect to the treatment of customer-confidential information and that the requirement to ensure access to networks is not unjustly discriminatory or unduly preferential. In some cases, the forbearance orders also require that the incumbent companies allow resale and sharing of the services in question. In order to promote competition, the CRTC requires the incumbent companies to permit interconnection and, in some cases, unbundle certain network facilities in order to allow competition to develop in markets which are not yet fully competitive, such as the local exchange market. Other companies, such as cable providers are now able to use their networks to compete

with the incumbent local exchange providers. The CRTC also maintains safeguards against cross-subsidization and anti-competitive pricing, such as price cap regulation of local services and the requirement for an imputation test showing that a particular service offering which is not fully competitive is priced above incremental cost.

Industry Canada will be conducting the Spectrum Auction, which will likely result in spectrum being licensed to competitors of TELUS or companies not currently holding cellular or PCS licenses. The number of competitors may also increase if wireless system operators choose to sell wireless services in bulk to other companies for resale to the public.

TELUS is a shareholder of Mobility Canada, the shareholders of which are primarily the wireless affiliates or divisions of Canada's major telephone companies. Mobility Canada has been restructured and its members may compete in each other's territories. There can be no assurance that TELUS will be able to successfully expand its operations geographically nor that it will be able to successfully compete with new competitors in its traditional territory. These factors could, in the future, have a material adverse effect on TELUS' financial condition and results of operations.

Increasing pressure from international forces may result in changes to the *Telecommunications Act* and related statutes reducing restrictions on non-Canadians holding or operating telecommunications common carriers in Canada or obtaining licenses to operate communications enterprises. This may result in an increase in the number of international companies entering into the communications services market in Canada, which may compete with the businesses of TELUS. This increased competition could result in a decrease in the anticipated revenues of TELUS.

Technology

The telecommunications industry is characterized by rapidly changing technology with the related changes in customer demands and the need for new products and services at competitive prices. Technological developments are also shortening product life cycles and facilitating convergence of different segments of the increasingly global information industry. TELUS' future success will be impacted by its ability to anticipate, invest in and implement new technologies with the levels of service and prices that customers demand. Technological advances may also affect TELUS' level of earnings by shortening the useful life of some of its assets. Furthermore, technological advances may well emerge that could reduce or replace the costs of plant and equipment.

The operations of TELUS' businesses depend in part upon the successful deployment of continually evolving wireless communications technologies, which will require significant capital expenditures to deploy. There can be no assurance that such technologies will be developed according to anticipated schedules, that they will perform according to expectations, or that they will achieve commercial acceptance. TELUS may be required to make more capital expenditures than are currently expected if suppliers fail to meet anticipated schedules, if a technology's performance falls short of expectations, or if commercial success is not achieved.

The effect of technological changes on the businesses of TELUS cannot be predicted. In addition, it will be impossible to predict with any certainty whether technology selected by TELUS will prove to be the most economic, efficient or capable of attracting customer usage. There can be no assurance that TELUS will develop new products and services which will enable TELUS to compete effectively in the Canadian telecommunications market.

PCS Operations

TELUS is continuing to incur significant costs to develop a PCS customer base including capital expenditures, promotional offerings and handset subsidies. Competition is intense in the PCS market.

Regulatory Uncertainty

A significant portion of TELUS activities are regulated and, accordingly, TELUS' results of operations may be affected by changes in regulations and decisions by the regulators. Such regulations relate to, among other things, licensing, competition, the rates TELUS may charge for certain services, the operation and ownership by TELUS of its communications systems and the ability of TELUS to acquire interests in other communications

systems. Change in the regulation of TELUS business activities including decisions by regulators affecting TELUS operations (such as the granting or renewal of licences or decisions as to rates TELUS may charge its customers) or changes in the interpretations of existing regulations by courts or regulators, could adversely affect TELUS results of operations.

The operation of cellular, PCS and other radio-telecommunications systems in Canada is subject to licensing requirements and the oversight of Industry Canada. Spectrum licenses are issued at the discretion of the Minister of Industry pursuant to the *Radiocommunication Act* and through the Spectrum Auction. Industry Canada has the authority at any time to amend the license conditions applicable to the provision of such services in Canada to the extent necessary to ensure the efficient and orderly development of radiocommunication facilities and services in Canada. Industry Canada can revoke a license at any time for failure to comply with its terms by consent or the failure to pay license fees. At this time, TELUS knows of no reason why its current licenses will not be renewed as they expire. There is no guarantee that TELUS will be awarded a spectrum license by the Minister or through the Spectrum Auction.

Radio Frequency Emission Concerns

Media reports have suggested that certain radio frequency emissions from cellular telephones may be linked to certain medical conditions such as cancer. In addition, certain interest groups have requested investigations into claims that digital transmissions from handsets used in connection with digital wireless technologies pose health concerns and cause interference with hearing aids and other medical devices. There can be no assurance that the findings of such studies will not have a material effect on TELUS' wireless business or will not lead to governmental regulation. The actual or perceived health risks of wireless communications devices could adversely affect wireless communications service providers through reduced subscriber growth, reduced network usage per subscriber, threat of product liability lawsuits or reduced availability of external financing to the wireless communications industry.

Risks of Integration

TELUS expects that the successful completion of the acquisition of Clearnet will result in long-term strategic benefits and synergies. These anticipated benefits and synergies will depend in part on whether the operations of TELUS and Clearnet can be integrated in a timely, efficient and effective manner. There can be no assurance that this will occur. It is possible that this integration will not be accomplished smoothly or successfully. The process of integrating the operations of the two organizations also could cause an interruption of, or a loss of momentum in, the activities of either or both of the companies, which could have an adverse effect on TELUS.

Information on Officers and Directors

The name, citizenship, business address, principal occupation or employment, and five-year employment history for each of the directors and officers of TELUS and Acquisition Co. and certain other information are set forth in Annex A hereto. Except as described in this Circular and in Annex A hereto, none of TELUS, Acquisition Co. or, to the best knowledge of such companies, any of the persons listed on Annex A to the Offers to Purchase has during the last five years (i) been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, United States federal or state securities laws or finding any violation of such laws.

Eligibility for Investment

In the opinion of Farris, Vaughan, Wills & Murphy, counsel to TELUS, based on legislation in effect at the date hereof and subject to compliance with the prudent investment standards and general investment provisions and restrictions of the statutes referred to below (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment policies, procedures and goals, TELUS Non-Voting Shares would not be precluded as investments under or by the following statutes:

<i>Insurance Companies Act</i> (Canada)	<i>Trustee Act</i> (Nova Scotia)
<i>Trust and Loan Companies Act</i> (Canada)	<i>An Act respecting trust companies and savings companies</i> (Quebec) (for a trust company, as defined therein, investing its own funds and deposits it receives, and a savings company, as defined therein, investing its own funds)
<i>Pension Benefits Standards Act, 1985</i> (Canada)	<i>An Act respecting insurance</i> (Quebec) (for an insurer, as defined therein, constituted under the laws of the Province of Quebec, other than a guarantee fund)
<i>Pension Benefits Act</i> (Ontario)	<i>Supplemental Pension Plans Act</i> (Quebec) (for a plan governed thereby)
<i>Loan and Trust Corporations Act</i> (Ontario)	
<i>Alberta Heritage Savings Trust Fund Act</i> (Alberta)	
<i>Employment Pension Plans Act</i> (Alberta)	
<i>Insurance Act</i> (Alberta)	
<i>Loan and Trust Corporations Act</i> (Alberta)	
<i>Financial Institutions Act</i> (British Columbia)	
<i>The Pension Benefits Act</i> (Manitoba)	
<i>The Trustee Act</i> (Manitoba)	

In the opinion of Farris, Vaughan, Wills & Murphy, the TELUS Non-Voting Shares are, at the date hereof, qualified investments under the *Tax Act* for a trust governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan or a registered education savings plan.

Legal Matters

Certain legal matters on behalf of the Offerors will be passed upon by, and the opinions contained under “Enforceability of Certain Civil Liabilities in the United States” and “— Eligibility for Investment” in the Circular have been provided by Farris, Vaughan, Wills & Murphy of Vancouver, British Columbia, counsel to the Offerors. The partners and associates of Farris, Vaughan, Wills & Murphy as a group beneficially own, directly or indirectly, less than 1% of the issued and outstanding TELUS Shares.

Bennett Jones LLP of Calgary, Alberta has acted as Canadian tax counsel to the Offerors with respect to the Offers. The opinion contained in “Canadian Federal Income Tax Considerations” in the Circular has been provided by Bennett Jones LLP. The partners and associates of Bennett Jones LLP as a group beneficially own directly or indirectly, less than 1% of the issued and outstanding TELUS Shares.

Cleary, Gottlieb, Steen & Hamilton of New York, New York has acted as United States counsel to the Offerors with respect to the Offers. The opinion contained under “United States Federal Income Tax Considerations” in this Circular has been provided by Cleary, Gottlieb, Steen & Hamilton. The partners and associates of Cleary, Gottlieb, Steen & Hamilton as a group beneficially own, directly or indirectly, less than 1% of the issued and outstanding TELUS Shares.

Auditors, Transfer Agent and Registrar

The auditors of TELUS are Authur Andersen LLP, Chartered Accountants of Vancouver, British Columbia.

The transfer agent and registrar for TELUS Non-Voting Shares is Montreal Trust Company of Canada at its principal offices in Calgary, Vancouver, Toronto, Montreal, Halifax, Winnipeg, Regina and Edmonton.

Documents Incorporated by Reference

The following documents filed with the provincial securities commissions or similar authorities in Canada are specifically incorporated by reference in and form an integral part of this Circular:

- (a) TELUS’ Annual Information Form dated March 17, 2000;

- (b) the management proxy circular of TELUS dated March 20, 2000 in connection with the annual meeting of shareholders held on May 3, 2000, other than the Sections entitled “Report on Executive Compensation” and “Performance Graph”;
- (c) the unaudited interim consolidated financial statements of TELUS for the three months ended March 31, 2000 and for the six months ended June 30, 2000; and
- (d) the material change reports of TELUS dated March 21, 2000, April 10, 2000, June 8, 2000 and August 30, 2000.

Any documents of the type referred to in the preceding paragraph (excluding confidential material change reports) filed by TELUS with a securities commission or similar authority in Canada after the date of this Circular and prior to the Expiry Time shall be deemed to be incorporated by reference in and form an integral part of this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of the Offers, including this Circular, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of the Offers to Purchase and Circular.

Upon a new annual information form and the related annual audited consolidated financial statements being filed by TELUS with, and where required, accepted by the applicable securities regulatory authorities during the Offer Period, the previous annual information form, the previous annual audited consolidated financials and all interim unaudited financial statements, material change reports and information circulars filed prior to the commencement of TELUS’ financial year in which the new annual information form is filed shall be deemed no longer to be incorporated by reference into the Circular.

A copy of any of the above documents may be obtained on request without charge from Investor Relations, TELUS Corporation, 30th Floor, 10020 – 100 St., Edmonton, Alberta, T5J 0N5 (telephone 1-800-667-4871 in North America and 1-780-493-7311 elsewhere) and from the information agent as set forth on the last page hereof. As well, the above documents, together with other documents filed by TELUS and Clearnet with the provincial securities commissions or similar authorities in Canada, including the most recent audited comparative consolidated financial statements of TELUS and of Clearnet, respectively, on which the pro forma unaudited consolidated condensed financial statements contained elsewhere in this Circular are based, may be inspected and copied at no charge from the site on the World Wide Web at [http:// www.sedar.com](http://www.sedar.com). See “TELUS Corporation Audited Comparative Consolidated Financial Statements” and “TELUS Corporation Unaudited Pro Forma Consolidated Financial Statements” attached as Schedules I and II to Offers to Purchase and the Circular.

PRICE RANGE AND TRADING SUMMARY OF CLEARNET NON-VOTING SHARES

The Clearnet Non-Voting Shares are listed and posted for trading on the TSE and NASDAQ. The following table sets forth the high and low sales price and volume of sales of the Clearnet Non-Voting Shares traded on each of the TSE and NASDAQ for the periods indicated:

	TSE			NASDAQ		
	High	Low	Volume	High	Low	Volume
	\$	\$	(No. of Shares)	U.S.\$	U.S.\$	(No. of Shares)
2000						
First Quarter	66.15	44.00	6,428,000	46.00	30.31	16,209,800
April	73.00	48.80	1,161,800	50.25	32.56	3,727,300
May	64.80	33.05	1,658,400	44.38	21.75	5,401,200
June	58.70	38.20	2,114,371	39.63	25.58	4,499,700
July	45.50	34.60	1,806,959	30.63	23.38	4,681,300
August	66.00	41.00	20,958,695	44.75	27.63	15,534,700
September 1 to September 18	66.90	65.30	5,418,445	45.38	44.19	1,681,700
1999						
First Quarter	21.60	12.45	8,098,000	14.38	8.13	10,721,900
Second Quarter	22.20	16.00	7,901,600	14.88	10.94	11,791,800
Third Quarter	28.85	20.00	6,704,900	19.63	13.88	17,837,200
Fourth Quarter	49.65	26.00	7,611,600	34.50	17.25	26,241,700
1998						
First Quarter	21.75	15.60	2,662,500	15.50	10.88	7,897,700
Second Quarter	22.50	14.00	5,001,400	16.00	9.56	12,362,800
Third Quarter	17.65	9.00	4,944,100	11.88	6.00	16,092,000
Fourth Quarter	13.95	10.65	5,261,000	9.13	6.84	10,461,000

The closing price of a Clearnet Non-Voting Share on August 18, 2000, the last day on which the Clearnet Non-Voting Shares traded prior to the announcement of the Offers, was \$45.80 on the TSE and U.S.\$ 31.00 on NASDAQ.

OWNERSHIP OF AND TRADING IN SECURITIES OF CLEARNET

Pursuant to the Lock-Up Agreements and other agreements with TELUS, the Clearnet Shareholders and certain officers of Clearnet have agreed to tender 3,704,010 Clearnet Non-Voting Shares (representing approximately 8.96% of the outstanding Clearnet Non-Voting Shares), 293,678,399 Class B Shares (representing approximately 91.4% of the outstanding Class B Shares), and all of the Class C Shares and Class D Shares. See “Background to the Offers — Shareholders Agreements and Related Agreements”.

Except as set out below, neither of the Offerors, any affiliates or associates thereof, nor any of the directors or officers of the Offerors or any of their respective associates beneficially owns, directly or indirectly, or controls or exercises direction over any securities of Clearnet.

Except as set out below, no securities of Clearnet have been traded in the six-month period preceding the date of the Offers by the Offerors, or by any affiliates or associates of the Offerors, and to the knowledge of the Offerors and their respective directors and officers after reasonable inquiry, no securities of Clearnet have been traded in the six-month period preceding the date of the Offers by any of the directors or officers of the Offerors or any of their associates.

COMMITMENTS TO ACQUIRE SECURITIES OF CLEARNET

The Lock-up Agreements and the other agreements with certain officers and directors of Clearnet are the only commitments by TELUS to acquire equity securities of Clearnet. None of the Offerors nor any of their respective directors and senior officers has any commitment to acquire equity securities of Clearnet and, to the knowledge of such directors and senior officers after reasonable inquiry, no associates of the directors and senior officers of the Offerors, any person or company acting jointly or in concurrent with the Offerors or any person or company who beneficially owns, directly or indirectly, more than 10% of any class of equity securities of either of the Offerors. See “Background to the Offers — Shareholders Agreements and Related Agreements”.

ARRANGEMENTS, AGREEMENTS OR UNDERSTANDINGS

Except as set forth below, there are no contracts, arrangements or agreements made or proposed to be made between the Offerors and any of the directors or officers of Clearnet and no payments or other benefits are proposed to be made or given by the Offerors to the directors or officers of Clearnet by way of compensation for loss of office or for remaining in or retiring from office. See “Background to the Offers”. TELUS has agreed to retain George Cope as President and Chief Executive Officer of TELUS Mobility after completion of the Offers. The terms of Mr. Cope’s employment arrangements are being finalized. In addition, Mr. Cope is expected to choose, in consultation with Darren Entwistle, his executive team from among the current officers of Clearnet and the current members of the TELUS Mobility management team. Discussions are or will be underway, but the selection of the Clearnet officers to be retained and arrangements or agreements with those officers have not been determined or agreed to at the date hereof. Any officer of Clearnet who is not retained will not be paid any severance payments other than those they are currently entitled under their employment agreements with Clearnet.

TELUS is proposing to enter into the following agreements or arrangements with respect to Clearnet Options. TELUS understands from Clearnet that all of the approximately 4.3 million Clearnet Options outstanding vest on the mailing of the Offers to Purchase and Circular. TELUS intends to provide the Clearnet Optionholders with the following alternatives:

- (a) Subject to the amendment of the Clearnet Option Plan, TELUS intends to make arrangements with the Depository to permit the tender of Clearnet Non-Voting Shares which may be issued on the Take-up Date pursuant to the exercise of Clearnet Options made conditional and effective only upon the take-up of Clearnet Shares under the Offers. At that time the Depository will pay to Clearnet from the cash consideration to be received by the Clearnet Optionholders an amount equal to the exercise price payable thereunder and the balance of the consideration will be paid to the Clearnet Optionholders;
- (b) In addition, TELUS intends to give Clearnet Optionholders (who are not U.S. persons within the meaning of Regulation S under the 1933 Act) the right to convert their Clearnet Options into vested TELUS options for TELUS Non-Voting Shares pursuant to an option plan adopted by TELUS only for this purpose, using the share price ratio methodology described below, thereby enabling them to exercise TELUS options after the Effective Date. The remaining term of the converted TELUS options will remain the same as the Clearnet Options, and the other terms and conditions of the converted options will be substantially the same as those under TELUS’ current employee stock option plan.

The conversion of Clearnet Options into TELUS options is to be done on a basis that will result in Clearnet Optionholders holding options for TELUS Non-Voting Shares which have an economic value on the Effective Date no greater than the economic value of their Clearnet Options on the Effective Date. By way of example, Clearnet Options to purchase 1,000 Clearnet Non-Voting Shares with an exercise price of \$20.00 per share would be replaced by TELUS options to purchase 1,636 TELUS Non-Voting Shares at the exercise price of \$11.27 per share, determined as follows:

- (i) the exercise price for the replacement TELUS options (\$11.27 in this example) is calculated to reflect the same ratio between the exercise price and the share price associated with the Clearnet Options to be converted, i.e. the market value of the Clearnet Non-Voting Shares on the business

- day immediately preceding the Effective Date (assume \$67.00) minus \$20.00 divided by 1.636 (\$28.73) and by subtracting \$28.73 from the market value of TELUS Non-Voting Shares on the business day immediately preceding the Effective Date (assume \$40.00) resulting in \$11.27; and
- (ii) the number of TELUS Non-Voting Shares that may be purchased upon exercise of the replacement TELUS options (1,636 in this example) is calculated to reflect the same number as the Clearnet Options to be converted based on the exchange ratio of 1.636 ($1000 \times 1.636 = 1,636$).

Except as set forth above, there are no contracts, arrangements or understandings between the Offerors and any security holder of Clearnet with respect to the Offers, a Compulsory Acquisition or any Subsequent Acquisition Transaction or between the Offerors and any person or company (other than their professional advisors and agents) with respect to any securities of Clearnet in relation to the Offers, a Compulsory Acquisition or any Subsequent Acquisition Transaction. See “Background to the Offers” and “Other Matters Relating to the Offers — Financial Advisors, Dealer Managers and Soliciting Dealer Group”.

EFFECT OF THE OFFER ON MARKET AND LISTINGS

The purchase of Clearnet Shares by the Offerors pursuant to the Offers will reduce the number of such shares that might otherwise trade publicly, as well as the number of holders of Clearnet Shares, and, depending on the number of holders depositing and the number of Clearnet Shares purchased under the Offers, could adversely affect the liquidity and market value of the remaining Clearnet Shares held by the public. After the purchase of Clearnet Shares under the Offers, Clearnet may cease to be subject to the public reporting and proxy solicitation requirements of the CBCA and the securities laws of certain of the provinces and territories of Canada.

The rules and regulations of the TSE and NASDAQ establish certain criteria which, if not met, could lead to the delisting of the Clearnet Non-Voting Shares from such exchanges. Among such criteria are the number of holders of Clearnet Non-Voting Shares, the number of Clearnet Non-Voting Shares publicly held and the aggregate market value of the Clearnet Non-Voting Shares publicly held. Depending on the number of Clearnet Non-Voting Shares purchased pursuant to the Offers, it is possible that the Clearnet Non-Voting Shares would fail to meet the criteria for continued listing on such exchanges. If this were to happen, the Clearnet Non-Voting Shares could be delisted and this could, in turn, adversely affect the market or result in a lack of an established market for such Clearnet Non-Voting Shares.

If the Clearnet Non-Voting Shares are delisted, it is possible that such shares would be traded in the over-the-counter market and that price quotations for those shares would be reported in Canada through the Canadian over-the-counter automated trading system. The extent of the public market for the shares and the availability of such quotations would, however, depend upon the number of Shareholders remaining at such time, the interest in maintaining a market in such shares on the part of brokerage houses and other factors.

It is the Offerors’ current intention to have (i) the TELUS Non-Voting Shares listed on the NYSE and (ii) apply to delist the Clearnet Non-Voting Shares from the TSE and NASDAQ as soon as practicable after completion of the Offers and any Subsequent Acquisition Transaction. The TELUS Non-Voting Shares will remain listed on the TSE.

REGULATORY APPROVALS

Competition Act

It is a condition precedent to the taking up of the Clearnet Shares by TELUS that the relevant waiting period in Section 123 of the *Competition Act* shall have expired and an ARC issued or a “no action letter” received from the Commissioner or that there shall not have been a threatened or actual application by the Commissioner which could have a material adverse effect on either TELUS or Clearnet.

Under the *Competition Act* a proposed transaction satisfying prescribed thresholds is subject to mandatory pre-merger notification to the Commissioner and observance of a prescribed waiting period during which the parties are prohibited from closing the proposed transaction. Where the Commissioner determines that

the proposed transaction is likely to prevent or lessen competition substantially, the Commissioner may apply to the Competition Tribunal for an order prohibiting it or an order permitting it provided certain assets are divested and/or other conditions are satisfied. Where the Commissioner has not made such a determination he typically advises the parties in writing that at this time he will not apply to the Competition Tribunal for an order in respect of the proposed transaction. This “no-action” letter remains subject to the Commissioner’s statutory right to challenge a transaction at any time up to three years after a transaction has been implemented.

The Offers are subject to a pre-merger notification under the *Competition Act*. On August 22, 2000, TELUS and Clearnet filed a short form notification to the Commission in respect of the Offers and it was certified complete the same day. The 14 day statutory waiting period applicable to the transaction expired on September 5, 2000. On September 8, 2000, TELUS and Clearnet jointly filed a further detailed competition analysis of the Offers and the transactions contemplated thereby with the Commissioner to assist in his review. The Commissioner is still reviewing the competitive implications of the transactions contemplated by the Offers as of the date of the Offers to Purchase and Circular.

As of the date of the Offers to Purchase and Circular, the Commissioner had not yet issued an ARC or a no action letter advising that the Commissioner will not oppose completion of the Offers and the transactions contemplated thereby and will not make an application under the Competition Act in respect of the Offers. If issued, such letter would not bar the Commissioner from challenging the Offers at any time up to three years after the Offers have been accepted and the transaction contemplated thereby completed.

Industry Canada

Pursuant to the *Radiocommunication Act*, the Minister is responsible for ensuring the orderly development and efficient operation of radiocommunication in Canada. As all wireless communication services depend on the use of radio frequency, such use is subject to the regulation and licensing by the Minister pursuant to the *Radiocommunication Act*. Pursuant to the *Radiocommunication Act*, the Minister may, inter alia, issue spectrum licenses in respect of the utilization of specified radio frequencies; may fix the terms and conditions of such a license (including the terms and conditions as to the services that may be provided by the holder thereof); and may renew such licenses. In addition, the Minister may suspend or revoke a license with the consent of the license holder when the fees for such license have not been paid, or, where the licensee has contravened the *Radiocommunication Act* and its regulations or the terms and conditions of the license. The *Radiocommunication Act* regulations provide for the Minister to approve any transfers or assignments of a license from the licensee to another party. Under Section 11 of the Radiocommunication Regulations, it is a condition of all radiocommunication licences that a licence not be transferred or assigned without the Minister’s authorization. The Minister has indicated that the change in control of Clearnet contemplated by the Offers may constitute a transfer or assignment of the radiocommunication licences held by Clearnet’s wholly owned subsidiaries, Clearnet Inc. and Clearnet PCS Inc. TELUS and the Minister are in discussions whether the completion of the Offers constitutes such a transfer or assignment. Subject to the resolution of Spectrum Cap issues as discussed below, TELUS is not aware of any policy reasons why an approval of the transfer of the licence under Section 11 of the Radiocommunication Regulations, if required, would not be issued by the Minister.

Spectrum Licenses

The Minister has designated certain frequencies in the 800 MHz and 1.9 GHz on a national basis for the provision of mobile wireless services. Clearnet is a licensee of spectrum in the 1.9 GHz band for the provision of its PCS services and of spectrum in the 800 MHz frequency band for its Mike services. In addition, Clearnet holds other spectrum licences in connection with its analogue business. For Alberta, TELUS Communications Inc. is a licensee of spectrum in the 150 MHz band for the provision of its Push-to-Talk General Mobile Service (a service which has limited range and mobility and is not counted for Spectrum Cap purposes); spectrum in the 400 MHz band which it uses for the provision of its Tango service; spectrum in the 800 MHz band which it uses for the provision of its analogue and digital cellular service; and spectrum in the 1.9 GHz frequency band which it uses for its PCS services. For British Columbia, TELUS Mobility Cellular Inc. is a licensee of spectrum in the 150 MHz band which it uses for the provision of its Autotel service; spectrum in the 800 MHz band which it uses for the provision of its analogue and digital cellular services; and spectrum in the

1.9 GHz band which it uses for the provision of its PCS services. For the QuébecTel Territory, QuébecTel Communications Inc. is the licensee of spectrum in the 800 MHz band which it uses for the provision of its analogue and digital cellular services and of spectrum in the 1.9 GHz band which it uses for the provision of its PCS services. The license conditions for the 800 MHz and 1.9 GHz spectrum include investing 2% of adjusted gross revenues in research and development and compliance with the foreign ownership and control requirements. In addition to the above conditions, the PCS license conditions include the requirement for the licensee, in its serving area, to offer PCS resale to other PCS licensees; to offer a roaming arrangement for analogue cellular service to non-cellular PCS licensees; and, to offer analogue cellular resale to all non-cellular PCS licensees.

Spectrum Cap

A Spectrum Cap of 40 MHz of spectrum to be used for public high mobility radiotelephony that any licensee, its affiliates (as such term is defined in the *Telecommunications Act*), or any entity which has a marketing and/or operating arrangement with the licensee (or its affiliates) may hold in any one geographic area was announced by the Minister in June, 1995. In November 1999, the Minister raised the Spectrum Cap to 55 MHz of spectrum. Upon the closing of the Offers, the Spectrum Cap will be exceeded in British Columbia, Alberta and certain parts of the Province of Québec (the QuébecTel Territory) unless TELUS and Clearnet take steps to rationalize their spectrum in these areas prior to such closing. TELUS and Clearnet have sought advice from the Minister on how to become compliant with the Spectrum Cap after the Take-up Date. Any disposition of spectrum in excess of the Spectrum Cap requires the approval of the Minister.

Spectrum Auction

On June 28, 2000, the Minister issued the Policy and Licensing Procedures for the Auction of Additional PCS Spectrum in the 1.9 to 2 GHz frequency band for the Spectrum Auction. The Minister will make available for bid in the Spectrum Auction four blocks of 10 MHz of spectrum in the 1.9 to 2 GHz band in fourteen geographical service areas in Canada. Both TELUS and Clearnet are expected to register for the Spectrum Auction. The bidding is expected to commence in November 2000. Upon the closing of the Offers, it is expected that only one of TELUS or Clearnet will bid in the Spectrum Auction for licenses in geographic service areas where the acquisition of more spectrum does not violate the Spectrum Cap. Until the Offers close, TELUS and Clearnet will comply with the Spectrum Auction anti-collusion rules regarding bidding, the amounts to be bid, bidding strategies and the licensed areas to be bid upon.

Foreign Ownership

Certain ownership and control requirements contained in the *Telecommunications Act* and *Radiocommunication Act* must be satisfied in order for the carriers to maintain eligibility to operate as Canadian carriers and hold radiocommunication licences as carriers. 80% of the voting shares of a Canadian carrier must be owned by "Canadians" and not less than 80% of the members of the board of directors must be Canadian. In addition, not more than one third of the voting shares of a non-operating parent corporation of a Canadian carrier may be beneficially owned or controlled by non-Canadians and neither the Canadian carrier nor its parent may be otherwise controlled in fact by non-Canadians.

The Offers have been structured to facilitate compliance with these statutory ownership and control requirements so that the TELUS and Clearnet operating subsidiaries will maintain their eligibility to operate as Canadian carriers and hold radiocommunication licences as carriers.

ACQUISITION OF CLEARNET SHARES NOT DEPOSITED UNDER THE OFFERS

Compulsory Acquisition

The purpose of the Offers is for the Offerors to acquire all of the outstanding Clearnet Shares. If, within the time limit in the Offers for their acceptance or within 120 days from the date of the Offers, whichever period is shorter, the Offers have been accepted by holders of not less than 90% of the Clearnet Shares of any class other than Clearnet Shares held on the date of the Offers by or on behalf of the Offerors or its affiliates and associates (as each such term is defined in the CBCA), and the Offerors have taken up and paid for such Clearnet Shares, the Offerors currently intend to acquire (a “Compulsory Acquisition”), pursuant to the compulsory acquisition provisions of Section 206 of the CBCA, the remainder of the Clearnet Shares on the same terms on which the Offerors acquired Clearnet Shares pursuant to the Offer.

To exercise such statutory right, the Offerors must give notice (the “Offerors’ Notice”) to each holder of Clearnet Shares who did not accept the Offers (and to each person who subsequently acquires any such Clearnet Shares) (in each case a “Dissenting Offeree”) and to the Director under the CBCA of the proposed acquisition within 60 days after the Expiry Time, and in any event within 180 days after the date of the Offers. Within 20 days after giving the Offerors’ Notice, the Offerors must pay or transfer to Clearnet the consideration the Offerors would have had to pay or transfer to the Dissenting Offerees if they had elected to accept the Offers, to be held in trust for the Dissenting Offerees. Within 20 days after receipt of the Offerors’ Notice, each Dissenting Offeree must send the certificates representing the Clearnet Shares held by such Dissenting Offeree to Clearnet, and must elect either (i) to transfer the Clearnet Shares to the Offerors on the terms of the Offers or (ii) to demand payment of the fair value of the Clearnet Shares by so notifying the Offerors. If a Dissenting Offeree has elected to demand payment of the fair value of that Dissenting Offeree’s Clearnet Shares, the Offerors may, within 20 days after they have paid or transferred to Clearnet the consideration described above, apply to a court having jurisdiction to hear an application to fix the fair value of the Dissenting Offeree’s Clearnet Shares. If the Offerors fail to so apply to such a court, the Dissenting Offeree may then apply to a court within a period of a further 20 days to have the court fix the fair value of the Dissenting Offeree’s Clearnet Shares. If the Dissenting Offeree who elects to demand payment of fair value of such shareholder’s Clearnet Shares does not notify the Offerors of such election and does not apply to the applicable court to fix the fair value of such holder’s Clearnet Shares within such period, such Dissenting Offeree shall be deemed to have elected to transfer that Dissenting Offeree’s Clearnet Shares to the Offerors on the terms of the Offer. Any judicial determination of the fair value of the Clearnet Shares could be more or less than the amount paid pursuant to the Offers.

The foregoing is a summary only. The summary is not intended to be exhaustive and is qualified in its entirety by the provisions of Section 206 of the CBCA. Shareholders should refer to Section 206 of the CBCA for the full text of the relevant statutory provisions. Section 206 of the CBCA is complex and may require strict adherence to notice and timing provisions, failing which a Dissenting Offeree’s rights may be lost or altered. Shareholders who wish to be better informed about these provisions should consult their legal advisors.

In the recent decision of the Ontario Court (General Division) in *Shoom v. Great-West Lifeco, Inc.* (1998), 40 O.R. (3d) 672, aff’d (1998), 42 O.R. (3d) 732 (C.A.), the Court considered the rights of a shareholder who did not tender his shares to a take-over bid under which shareholders were offered a choice of consideration consisting of cash or securities, subject to proration in the event that shareholders in the aggregate elected more than the maximum number of securities offered. The proration provisions used under the take-over bid resulted in all of the securities available for issuance under the bid being issued to shareholders on the first take-up date under the bid with no securities remaining available for issuance to dissenting shareholders under a statutory compulsory acquisition procedure. The Court held that a dissenting shareholder was entitled to receive no less favourable treatment than any other shareholder and, accordingly, that the dissenting shareholder was entitled to choose among the options available to those shareholders who had tendered to the bid, notwithstanding that the maximum number of securities issuable under the bid had already been issued by the offeror to shareholders who tendered under the bid. The Offerors believe that the prorating provisions of the Offers (which differ from those considered the *Shoom* case) would apply in a manner consistent with the principles adopted by the Court in the *Shoom* case.

Subsequent Acquisition Transactions

If the Offerors take up and pay for Clearnet Shares validly deposited under the Offers and the foregoing statutory right of Compulsory Acquisition is not available or the Offerors elect not to pursue such right, the Offerors currently intend to pursue other means of acquiring, directly or indirectly, all Clearnet Shares in accordance with applicable law, including by way of a statutory arrangement, amalgamation, capital reorganization or other transaction involving Clearnet and an affiliate of TELUS (a “Subsequent Acquisition Transaction”). The timing and details of any such transaction will necessarily depend on a variety of factors, including the number of Clearnet Shares acquired pursuant to the Offers. In the event of any such Subsequent Acquisition Transaction, Shareholders, other than TELUS and its affiliates, could, in accordance with Canadian law, receive TELUS Non-Voting Shares, cash, preferred shares (which may be immediately redeemable for cash), debt or any combination thereof. Although TELUS currently intends that the consideration offered under any Subsequent Acquisition Transaction proposed by it would be identical to the consideration offered under the Offers, such consideration could have a higher or lower value than the value of the consideration offered for Clearnet Shares pursuant to the Offers.

OSC Rule 61-501 and Policy Q-27 may deem certain types of Subsequent Acquisition Transactions to be “going private transactions” if such Subsequent Acquisition Transactions would result in the interest of a holder of Clearnet Shares (the “affected securities”) being terminated without the consent of the holder and without the substitution therefor of an interest of equivalent value in a participating security of Clearnet, a successor to the business of Clearnet or a person who controls Clearnet or a person who controls a successor to the business of Clearnet. Such methods of acquiring the remaining outstanding Clearnet Shares may also be a “related party transaction” within the meaning of OSC Rule 61-501 and Policy Q-27.

OSC Rule 61-501 and Policy Q-27 provide that, unless exempted, a corporation proposing to carry out a going private transaction or a related party transaction is required to prepare a valuation of the affected securities (and any non-cash consideration being offered therefor) and provide to the holders of the affected securities a summary of such valuation. TELUS intends to seek a waiver pursuant to Policy Q-27 and is relying on the statutory exemption available in that regard under Rule 61-501. If TELUS decides to effect a going private transaction or a related party transaction, TELUS intends to seek waivers pursuant to OSC Rule 61-501 and Policy Q-27, as required, exempting TELUS or its affiliates, as appropriate, from the requirement to prepare a valuation in connection with any such transaction proposed by TELUS.

Depending on the nature and terms of the Subsequent Acquisition Transaction, the provisions of the CBCA may require the approval of at least 66⅔% of the votes cast by holders of the outstanding Clearnet Non-Voting Shares at a meeting duly called and held for the purpose of approving the Subsequent Acquisition Transaction. OSC Rule 61-501 and Policy Q-27 would also require that, in addition to any other required security holder approval, in order to complete a going private transaction, the approval of a simple majority of the votes cast by “minority” shareholders of the affected securities must be obtained. OSC Rule 61-501 and Policy Q-27 contain similar minority approval requirements for related party transactions. Under OSC Rule 61-501, the necessary level of security holder approval is a simple majority of the votes cast by “minority” holders of each class of affected securities. Under Policy Q-27, the necessary level of shareholder approval with respect to a going private or related party transaction is a simple majority of “minority” vote unless (i) the consideration to be paid is payable wholly or partly other than in cash or in the right to receive cash within 35 days of the approval of the transaction; or (ii) if a formal valuation is required and the consideration is payable entirely in cash and is less in amount than the per value security or the simple average of the high and low ends of the range of per security values, arrived at pursuant to the required valuation, in which case the necessary level of shareholder approval is 66⅔% of the votes cast by “minority” holders of each class of the affected securities. In relation to the Offers and any related party or going private transaction, the “minority” holders will be, unless an exemption is available or discretionary relief is granted by the OSC and CVMQ, all Shareholders other than the Offerors and their directors and senior officers or any associate or affiliate of TELUS or its directors or senior officers or any person or company acting jointly or in concert with TELUS or any of its directors or senior officers in connection with the Offers or any Subsequent Acquisition Transaction or going private transaction. OSC Rule 61-501 and Policy Q-27 also provide that TELUS may treat Clearnet Non-Voting Shares acquired pursuant to the Offers as “minority” shares and to vote them, or to consider them voted, in favour of such related party or going private transaction if the consideration per security in the related party or going private transaction is at

least equal in value to the consideration paid under the Offers. TELUS currently intends that the consideration offered under any Subsequent Acquisition Transaction proposed by it would be identical to the consideration offered under the Offers and TELUS intends to cause Clearnet Non-Voting Shares acquired under the Offers to be voted in favour of any such transaction and to be counted as part of any minority approval required in connection with any such transaction.

In addition, under OSC Rule 61-501 and Policy Q-27, if following the Offers, TELUS and its affiliates are the registered holders of 90% or more of the Clearnet Non-Voting Shares at the time the Subsequent Acquisition Transaction is initiated, the requirement for minority approval would not apply to the transaction if an enforceable appraisal right or substantial equivalent right is made available to the minority shareholders.

Any Subsequent Acquisition Transaction carried out by TELUS may be by way of a reorganization of the capital of Clearnet, an amalgamation or a statutory arrangement pursuant to which TELUS or a successor corporation would acquire all Clearnet Non-Voting Shares not tendered to the Offers.

See “Canadian Federal Income Tax Considerations” in this Circular for a discussion of the tax consequences to Shareholders in the event of a Subsequent Acquisition Transaction.

The details of any such Subsequent Acquisition Transaction, including the timing of its implementation and the consideration to be received by the minority Shareholders, would necessarily be subject to a number of considerations, including the number of Clearnet Non-Voting Shares acquired pursuant to the Offers. There can be no assurance that any such transaction will be proposed or, if proposed, effected. Shareholders should consult their own legal advisors for a determination of their legal rights with respect to a Compulsory Acquisition or a Subsequent Acquisition Transaction if and when proposed.

Other Alternatives

If the Offerors propose a Subsequent Acquisition Transaction but cannot promptly obtain any required approval, or otherwise do not complete a Subsequent Acquisition Transaction, the Offerors will evaluate other alternatives. Such alternatives could include, to the extent permitted by applicable law, purchasing additional Clearnet Non-Voting Shares in the open market, in privately negotiated transactions, in another take-over bid or exchange offer or otherwise, or taking no further action to acquire additional Clearnet Non-Voting Shares. Any additional purchases of Clearnet Non-Voting Shares could be at a price greater than, equal to or less than the price to be paid for the Clearnet Non-Voting Shares under the Offers and could be for cash and/or TELUS Non-Voting Shares or other consideration. Alternatively, the Offerors may sell or otherwise dispose of any or all Clearnet Shares acquired pursuant to the Offers or otherwise. Such transaction may be effected on terms and at a price then determined by the Offerors which may vary from the price paid for Clearnet Shares under the Offers.

Judicial Developments

Certain judicial decisions may be considered relevant to any Subsequent Acquisition Transaction which may be proposed or effected subsequent to the expiry of the Offers. Prior to the pronouncement of OSC Rule 61-501 and Policy Q-27, Canadian courts had, in a few instances, granted preliminary injunctions to prohibit transactions which constituted “going private transactions” within the meaning of the OSC Policy 9.1 (the predecessor to OSC Rule 61-501) and Policy Q-27.

In 1978, two decisions of the Ontario High Court of Justice restrained proposed amalgamations which would have had the effect of eliminating the interest which minority shareholders held in one of the amalgamating corporations, without the minority shareholders having been offered the opportunity to receive in exchange participating securities issued by the amalgamated corporation, an affiliate or a successor body corporate, with the result that the existing controlling shareholder would become the sole holder of common shares of the amalgamated corporation. See *Carlton Realty Ltd. v. Maple Leaf Mills Ltd.* (1978), 22 O.R. (2d) 198 and *Alexander v. Westeel-Rosco Ltd.* (1978), 22 O.R. (2d) 211. In light of the specific regulatory framework governing “going private transactions” in OSC Rule 61-501 and Policy Q-27 and the decision of the High Court in *Lornex* described below, the decisions in *Maple Leaf Mills* and *Westeel-Rosco* may be of limited relevance to any subsequent acquisition transaction that may be effected by the Offerors, subsequent to the Offers.

In *General Accident Assurance Co. of Canada v. Lornex Mining Corp.* (1988), 66 O.R. (2d) 793, the Ontario High Court of Justice declined to grant injunctive relief to a minority shareholder of Lornex seeking to prevent a proposed amalgamation squeeze-out transaction which was to follow a take-over bid made through the facilities of the Vancouver Stock Exchange. The minority shareholder also sought an order declaring that the minority shareholders of Lornex were entitled to vote separately as a class in approving the proposed amalgamation. Lornex was not an “offering corporation” as defined in the *Business Corporations Act* (Ontario) (“OBCA”), so the “going private transaction” provisions of Section 190 of the OBCA were held to not apply to it. The Court held that the proposed amalgamation did not contravene the relevant provisions of the OBCA and that, in light of the oppression remedy contained in the OBCA, the OBCA did not require that a separate class vote of the minority shareholders of Lornex be held to approve the amalgamation. The Court further held that the minority shareholder failed to establish that the proposed amalgamation was oppressive or unfairly prejudicial to or unfairly disregarded the rights of the minority shareholders of Lornex.

The Offerors understand that the current trend, both in legislation and in the United States jurisprudence upon which the previous Canadian decisions were based, is toward permitting going private transactions to proceed subject to compliance with requirements intended to ensure procedural and substantive fairness to the minority shareholders. This is demonstrated in the release by the Director under the CBCA of a policy statement, dated January 9, 1997, stating, among other things, that the Director under the CBCA generally is of the opinion that a going private transaction is permitted under the CBCA so long as the transaction is not oppressive or unfairly prejudicial to and does not unfairly disregard the interests of a person whose interest in a participating security is being terminated without his or her consent, and that, generally, compliance with established regulatory indicia of fairness such as the requirements of OSC Rule 61-501 and Policy Q-27, will suffice for these purposes. The recent Ontario Supreme Court Justice decision in *Stern v. Imasco Ltd.*, [1999] O.J. No. 4235 (QL) is consistent with these views.

Shareholders should consult their legal advisors for a determination of their legal rights.

Treatment of Clearnet Convertible Debentures and Clearnet Warrants

Under the terms of the trust indenture for the Clearnet Convertible Debentures upon a Change of Control (as therein defined) Clearnet must commence, within 45 days of the occurrence of the Change of Control, and consummate an offer to purchase for all Clearnet Convertible Debentures then outstanding. The offer to purchase shall be made at a purchase price equal to 101% of the principal amount of the Clearnet Convertible Debentures, plus accrued and unpaid interest thereon. Prior to mailing the notice to holders of Clearnet Convertible Debentures commencing such offer to purchase, but in any event within 45 days following any Change of Control, Clearnet shall (i) repay in full all indebtedness of Clearnet that would prohibit the repurchase of the Clearnet Convertible Debentures pursuant to the offer to purchase or (ii) obtain any requisite consents under instruments governing any such indebtedness to permit repurchase of the Clearnet Convertible Debentures. Clearnet is required to first comply with the provisions of the immediately preceding sentence before it shall be required to repurchase the Clearnet Convertible Debentures.

The Offers are not being made for the outstanding Clearnet Convertible Debentures or Clearnet Warrants and beneficial owners of Clearnet Convertible Debentures wishing to accept the Offer in respect of the Clearnet Non-Voting Shares into which Clearnet Convertible Debentures are convertible should exercise the conversion rights attached thereto, and beneficial owners of Clearnet Warrants wishing to accept the Offers in respect of the Clearnet Non-Voting Shares into which Clearnet Warrants are convertible should exercise the Clearnet Warrants, in either case in a timely manner and comply with the procedure for acceptance of the Offers described in Section 1 of the Offers to Purchase — “The Offers”. The beneficial owner of any Clearnet Convertible Debenture that is so converted will be entitled to receive from Clearnet accrued and unpaid interest thereon up to the date of such conversion. Each \$1,000 principal amount of Clearnet Convertible Debentures is presently convertible into 15.3846 Clearnet Non-Voting Shares (subject to rounding to eliminate fractional shares). The cash consideration payable by the Offerors pursuant to the Offers for 15.3846 Clearnet Non-Voting Shares is \$1,076.92. Each Clearnet Warrant is convertible into one Clearnet Non-Voting Share at \$24.36 (U.S. \$16.36) per share.

Beneficial owners of Clearnet Convertible Debentures or Clearnet Warrants who do not wish to participate in the Offers may continue to hold, through their nominee holder or otherwise, such Clearnet Convertible Debentures or Clearnet Warrants, as the case may be, notwithstanding the acquisition of Clearnet Shares by the Offerors, and the rights and limitations relating thereto (and to successor obligations following a Subsequent Acquisition Transaction) will continue to be governed by the terms and conditions thereof and as set forth in the respective indentures pursuant to which the Clearnet Convertible Debentures or Clearnet Warrants, as the case may be, were issued. The indentures governing the Clearnet Convertible Debentures and Clearnet Warrants provide that, should TELUS propose a corporate reorganization or a capital reorganization (such as a Subsequent Acquisition Transaction), the beneficial owners of Clearnet Convertible Debentures or Clearnet Warrants, as the case may be, who exercise their conversion privilege after the corporate reorganization or capital reorganization will, subject to certain restrictions, be entitled to receive, in lieu of the Clearnet Non-Voting Shares which such beneficial owners would have been entitled to receive upon conversion prior to the corporate reorganization or capital reorganization, only the shares or other property, including any cash, which such beneficial owners would have been entitled to receive following the corporate reorganization or capital reorganization if, on the effective date of such corporate reorganization or capital reorganization, such beneficial owners had been registered holders of the number of Clearnet Non-Voting Shares to which they would have been entitled to receive upon conversion prior to the corporate reorganization or capital reorganization, without any approval of the corporate reorganization or capital reorganization on the part of the beneficial owners of Clearnet Convertible Debentures or Clearnet Warrants, as the case may be. For purposes of the foregoing, “corporate reorganization or capital reorganization” means an amalgamation, a statutory arrangement or any similar transaction, as a result of which holders of Clearnet Non-Voting Shares are entitled to receive shares, other securities or other property.

If the Offers are successful, Clearnet may not meet the minimum listing requirements of the TSE for the Clearnet Non-Voting Shares or for the Clearnet Convertible Debentures. In addition, if the Offers are successful, the Offerors may carry out after the Effective Date a corporate reorganization or capital reorganization as a result of which beneficial owners of Clearnet Convertible Debentures or Clearnet Warrants, as the case may be, who have not accepted the Offers and who thereafter exercise their conversion privilege will be entitled to receive, in lieu of each Clearnet Non-Voting Share which such beneficial owners would otherwise have been entitled to receive upon conversion, redeemable shares of Clearnet (the terms of which have not been finalized) which will be redeemable by Clearnet for consideration to be determined. In addition to the foregoing, TELUS is also considering an alternative proposal which may be made to the holders of the Clearnet Convertible Debentures to be implemented in the event the Offers are successful, which proposal would be subject to approval of the holders of the Clearnet Convertible Debentures in the manner provided in the indenture.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones LLP, special Canadian tax counsel to the Offerors, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the *Tax Act* generally applicable to a Shareholder who disposes of Clearnet Non-Voting Shares pursuant to the Offer or otherwise disposes of Clearnet Non-Voting Shares pursuant to certain transactions described in the Circular under “Acquisition of Clearnet Shares Not Deposited Under the Offers.”

This summary is based on the current provisions of the *Tax Act*, the regulations thereunder and counsel’s understanding of the current administrative practices of the Canada Customs and Revenue Agency (the “CCRA”, formerly Revenue Canada). The summary takes into account all specific proposals to amend the *Tax Act* and the regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, including the February 28, 2000 Budget (the “Budget”), although there is no certainty that such proposals will be enacted in the form proposed, if at all. The summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action or changes in administrative practices of the CCRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations. The provisions of provincial income tax legislation vary among provinces in Canada and in some cases differ from federal income tax legislation.

This summary is not applicable to holders of Clearnet Class B, Class C or Class D Shares and such Shareholders should consult their own tax advisors. This summary also does not apply to Holdco Shareholders

who elect to exercise the Holding Company Alternative and dispose of Holdco Shares to TELUS and such Shareholders should consult their own tax advisors. A holder of Clearnet Class B, Class C or Class D Shares or Holdco Shares who is a non-resident of Canada for the purposes of section 116 of the *Tax Act* must obtain a clearance certificate from the CCRA to be provided to the Offerors, whether or not the holder will recognize a gain as a result of disposing of such Clearnet Shares or Holdco Shares, as the case may be. The failure of such a Shareholder to provide the clearance certificate on a timely basis will result in the Offerors making required withholdings under the *Tax Act* from the purchase consideration payable to such Shareholder and remitting such amounts to the CCRA on behalf of the Shareholder.

The *Tax Act* contains certain provisions relating to securities held by certain financial institutions (the “mark-to-market rules”). This summary does not take into account the mark-to-market rules and any Shareholders that are “financial institutions” for the purpose of these rules should consult their own tax advisors. The Budget proposes amendments relating to the taxation of a benefit realized upon the exercise of an employee stock option. This summary does not take into account those proposals and a Shareholder who acquired Clearnet Non-Voting Shares upon the exercise of such an option should consult his or her own tax advisor with respect to his or her particular circumstances.

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 with respect to their particular circumstances.

Eligible Shareholders who would otherwise recognize a capital gain on the exchange of Clearnet Non-Voting Shares for TELUS Non-Voting Shares may wish to make the election in the Letter of Transmittal to tender the portion of their Clearnet Non-Voting Shares considered to be exchanged for TELUS Non-Voting Shares to TELUS for the purpose of making possible a tax-deferred rollover in respect of such Clearnet Non-Voting Shares. Eligible Shareholders who do not make this election will be deemed under the Offer to have elected to tender such Clearnet Non-Voting Shares to Acquisition Co. and will not achieve a tax-deferred rollover of such Clearnet Non-Voting Shares.

Shareholders Resident in Canada

The following portion of this summary is generally applicable to a Shareholder who, at all relevant times, for purposes of the *Tax Act* and any applicable income tax treaty or convention, is resident or deemed to be resident in Canada, deals at arm’s length with Clearnet and the Offerors, is not affiliated with Clearnet or the Offerors and holds Clearnet Non-Voting Shares as capital property. Clearnet Non-Voting Shares will generally be considered to be capital property to a Shareholder unless the Shareholder holds such Clearnet Non-Voting Shares in the course of carrying on a business or the Shareholder has acquired such shares in a transaction or transactions considered to be an adventure in the nature of trade. Certain Shareholders whose Clearnet Non-Voting Shares might not otherwise qualify as capital property may make an irrevocable election in accordance with subsection 39(4) of the *Tax Act* to have the Clearnet Non-Voting Shares and every “Canadian security” (as defined in the *Tax Act*) owned by such Shareholder in the taxation year of the election and in all subsequent taxation years deemed to be capital property.

General

A Shareholder who accepts an Offer will dispose of all of the Clearnet Non-Voting Shares owned by such Shareholder to Acquisition Co. and will be subject to the tax consequences described below under “*Sale to Acquisition Co. Pursuant to the Offers*” unless the Shareholder is an Eligible Shareholder who makes the election described in the following paragraph. An Eligible Shareholder includes a Shareholder who elects to receive TELUS Non-Voting Shares pursuant to the Offers under the Share Alternative or the Combination Alternative and who, for the purposes of the *Tax Act*, is resident in Canada, holds Clearnet Non-Voting Shares as capital property and is not exempt from tax.

An Eligible Shareholder who accepts an Offer and makes the election provided for in the Letter of Transmittal or Notice of Guaranteed Delivery will dispose of the “Share Portion” (as described below) of such Shareholder’s Clearnet Non-Voting Shares to TELUS for TELUS Non-Voting Shares (which disposition will be subject to the tax consequences described below under “*Sale to TELUS Pursuant to the Offers*”) and will

separately dispose of the balance of such Shareholder's Clearnet Non-Voting Shares to Acquisition Co. for cash (which disposition will be subject to the tax consequences described below under "*Sale to Acquisition Co. Pursuant to the Offers*"). The Share Portion will be equivalent to the fraction obtained by dividing the fair market value of the TELUS Non-Voting Shares received by the Shareholder (excluding cash received in lieu of fractional share) by the aggregate of the fair market value of such TELUS Non-Voting Shares and the amount of cash received by the Shareholder (including cash received in lieu of a fractional share).

Since the amount of cash and TELUS Non-Voting Shares to be paid or issued, as the case may be, under the Offers are each subject to stated maximum amounts, a Shareholder may receive cash and TELUS Non-Voting Shares in a different proportion than elected by the Shareholder or may receive a combination of cash and TELUS Non-Voting Shares in circumstances where the Shareholder has elected to receive only cash or only TELUS Non-Voting Shares.

Sale to Acquisition Co. Pursuant to the Offers

A Shareholder who disposes of Clearnet Non-Voting Shares to Acquisition Co. under the Offers in exchange for TELUS Non-Voting Shares, cash, or a combination of TELUS Non-Voting Shares and cash, will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Clearnet Non-Voting Shares to the Shareholder. For purposes of computing such capital gain or capital loss, a Shareholder will be considered to have disposed of the Clearnet Non-Voting Shares for proceeds of disposition equal to the fair market value of any TELUS Non-Voting Shares and the amount of any cash received on the exchange. The cost of any TELUS Non-Voting Shares acquired by the Shareholder on the exchange will be equal to their fair market value at that time, and such cost will be averaged with the adjusted cost base of all other TELUS Non-Voting Shares held by the Shareholder immediately prior to the exchange for the purpose of determining thereafter the adjusted cost base of each TELUS Non-Voting Share held by such Shareholder.

Pursuant to the Budget, it is proposed that the capital gains inclusion rate be reduced from three-quarters to two-thirds for dispositions occurring after February 27, 2000. Accordingly, assuming that the Budget proposals become law and subject to certain transitional rules, a Shareholder will generally be required to include two-thirds rather than three-quarters of the amount of any resulting capital gain (a "taxable capital gain") in income and will be required to deduct two-thirds rather than three-quarters of the amount of any resulting capital loss (an "allowable capital loss") against taxable capital gains realized in the year of disposition. Allowable capital losses not deducted in the taxation year in which they are realized may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against taxable capital gains realized in such taxation years, to the extent and under the circumstances specified in the *Tax Act* and the Budget. Capital gains realized by an individual and most trusts may be subject to alternative minimum tax.

In the case of a Shareholder that is a corporation, trust or partnership, the amount of any capital loss otherwise determined resulting from the disposition of Clearnet Non-Voting Shares may be reduced by the amount of certain dividends previously received or deemed to have been received on such shares, to the extent and under the circumstances prescribed in the *Tax Act*.

A "Canadian-controlled private corporation" (as defined in the *Tax Act*) may be liable to pay an additional 6 $\frac{2}{3}$ % refundable tax on certain investment income, including taxable capital gains.

Sale to TELUS Pursuant to the Offers

An Eligible Shareholder who makes the election provided for in the Letter of Transmittal or Notice of Guaranteed Delivery and disposes of Clearnet Non-Voting Shares to TELUS in exchange for TELUS Non-Voting Shares will generally qualify for a tax-deferred "rollover" with respect to such exchange. Unless the Shareholder chooses to treat the exchange of such Clearnet Non-Voting Shares for TELUS Non-Voting Shares as a taxable transaction, the Shareholder will be deemed to have disposed of such Clearnet Non-Voting Shares for proceeds of disposition equal to the adjusted cost base to the Shareholder of such Clearnet Non-Voting Shares immediately before the exchange, and to have acquired the TELUS Non-Voting Shares received in exchange therefor at a cost equal to such proceeds. The cost of such TELUS Non-Voting Shares will be averaged

with the adjusted cost base of all other TELUS Non-Voting Shares held by the Shareholder immediately prior to the exchange for the purpose of determining thereafter the adjusted cost base of each TELUS Non-Voting Share held by such Shareholder.

If the Eligible Shareholder chooses to treat the disposition of Clearnet Non-Voting Shares to TELUS as a taxable transaction, such Shareholder will be subject to the tax consequences described above under “*Sale to Acquisition Co. Pursuant to the Offers*”.

Subsequent Transactions

As described under “Acquisition of Clearnet Shares Not Deposited Under the Offers”, the Offerors may, in certain circumstances, acquire Clearnet Shares not deposited under the Offers pursuant to a Compulsory Acquisition. The consequences under the *Tax Act* to a Shareholder whose Clearnet Non-Voting Shares are acquired under a Compulsory Acquisition will generally be as described above.

If a Compulsory Acquisition is not utilized, the Offerors may propose a Subsequent Acquisition Transaction to acquire the remaining Clearnet Shares. The income tax treatment of a Subsequent Acquisition Transaction to a Shareholder will depend upon the exact manner in which the Subsequent Acquisition Transaction is carried out and may be substantially the same as or materially different from that described above. Depending upon the exact manner in which the Subsequent Acquisition Transaction is carried out, the income tax consequences to a Shareholder may include a deemed dividend, a capital gain or capital loss, or both a deemed dividend and a capital gain or capital loss. The income tax consequences to a Shareholder who dissents with respect to a Subsequent Acquisition Transaction and receives the fair value of the Shareholder’s Clearnet Non-Voting Shares will also depend upon the nature of such transaction and may include a deemed dividend, a capital gain or capital loss, or both a deemed dividend and a capital gain or capital loss. Any such deemed dividends will be subject to the income tax rules applicable to taxable dividends received from taxable Canadian corporations and the income tax treatment of such deemed dividends will vary depending upon whether the Shareholder is an individual, corporation, trust or partnership. The amount of any such deemed dividend will reduce the proceeds of disposition for purposes of calculating the Shareholder’s capital gain or capital loss on the disposition of shares to which the deemed dividend relates. The calculation and income tax treatment of any such capital gain or capital loss would be as described above. Shareholders should consult their own tax advisors for advice with respect to the income tax consequences to them of having their Clearnet Non-Voting Shares acquired pursuant to a Subsequent Acquisition Transaction.

Shareholders Not Resident in Canada

The following portion of this summary is generally applicable to a Shareholder who, at all relevant times, for the purposes of the *Tax Act* and any applicable tax treaty or convention, is not resident or deemed to be resident in Canada, deals at arm’s length with Clearnet and the Offerors, is not affiliated with Clearnet or the Offerors, holds the Clearnet Non-Voting Shares as capital property and does not use or hold, and is not deemed to use or hold, the Clearnet Non-Voting Shares in connection with carrying on a business in Canada (a “Non-Resident Shareholder”). The *Tax Act* contains provisions relevant to a non-resident insurer that carries on business in Canada and elsewhere which this summary does not take into account, and such Shareholders should consult their own tax advisors.

A Non-Resident Shareholder will not be subject to tax under the *Tax Act* on a capital gain realized on a disposition of Clearnet Non-Voting Shares pursuant to the Offers, unless those shares constitute “taxable Canadian property” to the Non-Resident Shareholder. Even if the Clearnet Non-Voting Shares are taxable Canadian property to the Non-Resident Shareholder, a capital gain realized upon the disposition may be exempt from tax under the *Tax Act* pursuant to the provisions of an applicable income tax treaty or convention to which Canada is a party.

Provided that the Clearnet Non-Voting Shares remain listed on a prescribed stock exchange, shares of that class will generally be taxable Canadian property to a Non-Resident Shareholder only if, at any time during the five-year period immediately preceding the disposition, the Non-Resident Shareholder, either alone or together with persons with whom the Non-Resident Shareholder did not deal at arm’s length, owned (or had under option) 25% or more of the shares of any class or series of shares of Clearnet. Clearnet Non-Voting Shares may

also be taxable Canadian property where the Non-Resident Shareholder elected to have them treated as taxable Canadian property upon ceasing to be a resident of Canada or where the shares were acquired under circumstances in which they are deemed to be taxable Canadian property.

Subsequent Transactions

The consequences under the *Tax Act* to a Non-Resident Shareholder of a Compulsory Acquisition would generally be the same as those with respect to Shareholders that are resident in Canada except that the Non-Resident Shareholder would not be subject to taxation under the *Tax Act* in respect of any capital gain that is recognized unless the Non-Resident Shareholder's Clearnet Non-Voting Shares are "taxable Canadian property", as described above, and the Non-Resident Shareholder is not afforded any relief under an applicable tax treaty.

To the extent that any Subsequent Acquisition Transaction is proposed, Non-Resident Shareholders are urged to consult their own tax advisors to determine the tax consequences to them of the transaction and in particular whether any shares held by them during the course of the Subsequent Acquisition Transaction would be held by them as "taxable Canadian property".

If in the course of a Subsequent Acquisition Transaction shares are acquired by the issuer from a Non-Resident Shareholder (including upon the exercise by a Non-Resident Shareholder of certain dissent rights), the Non-Resident Shareholder would be deemed to have received a dividend equal to the amount by which the amount received (other than in respect of interest awarded by a court) exceeds the paid-up capital of the shares. Any deemed dividend would be subject to Canadian withholding tax at the rate of 25% unless the rate is reduced under the provisions of an applicable tax treaty. The Non-Resident Shareholder would also be considered to have disposed of the shares for proceeds of disposition equal to the amount received by the Non-Resident Shareholder less the amount of any deemed dividend referred to above and any interest awarded by a court. Any capital gain recognized on the disposition of the Non-Resident Shareholder's shares would not be subject to tax under the *Tax Act* unless such shares are "taxable Canadian property" and the Non-Resident Shareholder is not afforded any relief under an applicable tax treaty.

Interest awarded to a dissenting Non-Resident Shareholder by a court will be subject to Canadian withholding tax at the rate of 25% unless the rate is reduced under the provisions of an applicable tax treaty.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material United States federal income tax consequences to Clearnet shareholders that are individuals who are citizens or residents of the United States, United States domestic corporations, or that are otherwise subject to United States federal income tax on a net basis in respect of a disposition of the Clearnet Shares, of the sale of Clearnet Shares pursuant to the Offers for cash and/or TELUS Non-Voting Shares. The summary does not purport to be a description of all tax consequences that may be relevant to a Clearnet shareholder, and assumes an understanding of tax rules of general application. It does not address special rules which may apply to Clearnet shareholders based on their tax status, individual circumstances or other factors unrelated to the Offers. Shareholders are encouraged to consult their own tax advisors regarding the Offers.

The receipt of cash and/or TELUS Non-Voting Shares in exchange for Clearnet Shares pursuant to the Offers will be a taxable transaction for federal income tax purposes, and may also be taxable under applicable state, local, foreign and other tax laws. For federal income tax purposes, a Shareholder whose Clearnet Shares are purchased pursuant to the Offers will realize gain or loss equal to the difference between (x) the adjusted basis of the Clearnet Shares sold and (y) the sum of the amount of cash and the fair market value, at the time of the sale, of the TELUS Non-Voting Shares received therefor. Such gain or loss will be capital gain or loss if the Clearnet Shares are held as capital assets by the Shareholder and will be long-term capital gain or loss if the Shareholder's holding period in such Clearnet Shares for federal income tax purposes is more than one year at the time of the sale. Long-term capital gain of a non-corporate shareholder is generally subject to a maximum tax rate of 20 percent. In addition, a Shareholder's ability to use capital losses to offset ordinary income is limited.

Under certain circumstances, Shareholders may be required to provide information and certification regarding beneficial ownership of the Clearnet Shares, typically on an Internal Revenue Service Form W-9 (or in the case of non-United States Shareholders, on Form W-8BEN), in order to avoid the imposition of backup withholding tax at a rate of 31 percent on the cash proceeds of the sale.

The foregoing discussion may not apply to Shareholders who acquired their Clearnet Shares pursuant to exercise of employee stock options or other compensation arrangements with Clearnet, or who are otherwise subject to special tax treatment. The tax discussion above is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change, possibly retroactively. Each Shareholder is urged to consult his, her or its own tax advisor with respect to the tax consequences of the Offers, including the application and effect of state, local, foreign or other tax laws.

OTHER MATTERS RELATING TO THE OFFERS

Depository and U.S. Forwarding Agent

The Offeror has engaged Montreal Trust Company of Canada, as the Depository, and Computershare Investor Services, LLC, as the U.S. Forwarding Agent, for the receipt of certificates in respect of Clearnet Shares and Letters of Transmittal deposited under the Offers. In addition, the Depository will receive Notices of Guaranteed Delivery deposited under the Offers at its office in Toronto. The duties of the Depository also include assisting in making settlement under the Offers. The Depository and the U.S. Forwarding Agent will receive reasonable and customary compensation from the Offerors for their services in connection with the Offers, will be reimbursed for certain out-of-pocket expenses and will be indemnified against certain liabilities, including liabilities under securities laws, and expenses in connection therewith.

Financial Advisors, Dealer Managers and Soliciting Dealer Group

The Offerors retained TD Securities Inc. and J.P. Morgan & Co. Incorporated to act as its financial advisors in connection with the Offers. TD Securities will be paid a fee of \$8.725 million and J.P. Morgan & Co. Incorporated will be paid a fee of U.S.\$6.3 million upon successful completion of the Offers.

In Canada, TD Securities Inc. and J. P. Morgan Securities Canada Inc. and, in the United States, J. P. Morgan Securities Inc. and TD Securities (U.S.A.) Inc. have been retained to act as the Dealer Managers in connection with the Offers and to solicit acceptances of the Offers from Shareholders in Canada and the United States, respectively. The Dealer Managers will receive reimbursement of specified expenses. In addition, the Dealer Managers will be indemnified by TELUS against certain liabilities, including liabilities under applicable securities laws.

The Dealer Managers have agreed to form the soliciting dealer group to be established to solicit acceptances of the Offers from holders of Clearnet Shares resident in Canada. The soliciting dealer agreement (the "Soliciting Dealer Agreement") to be entered into among the Offerors and the Dealer Managers shall provide for the formation of a soliciting dealer group (the "Soliciting Dealer Group") comprising members the Investment Dealers Association of Canada and members of the TSE to solicit acceptances of the Offers. The Dealer Managers will not be paid any additional fee for their services as such. Each member of the Soliciting Dealer Group, including the Dealer Managers, is referred to herein as a "Soliciting Dealer". The Soliciting Dealer Agreement shall provide that each Soliciting Dealer whose name appears in the appropriate space on the Letter of Transmittal accompanying a deposit of Clearnet Shares from a holder resident in Canada, shall be entitled to receive a fee of \$0.35 for each Clearnet Non-Voting Share deposited and taken up by the Offerors under the Offers. The aggregate amount payable to a Soliciting Dealer with respect to any single depositing Shareholder will be not less than \$75, in the event that 100 or more Clearnet Non-Voting Shares are deposited by a particular Shareholder, and not more than \$1,500. Where Clearnet Non-Voting Shares deposited and registered in a single name are beneficially owned by more than one person, the minimum and maximum amounts will be applied separately in respect of each such beneficial owner. The Offerors may require the Soliciting Dealer to furnish evidence of such beneficial ownership satisfactory to the Offerors before payment of such fee.

No brokerage fees or commissions will be payable by any Shareholder who deposits Clearnet Shares directly with the Depositary or the U.S. Forwarding Agent or who uses the services of the Dealer Managers to accept the Offers. Shareholders should contact the Dealer Managers, the Depositary, the U.S. Forwarding Agent or a broker or dealer for assistance in accepting the Offers and in depositing their Clearnet Shares with the Depositary or the U.S. Forwarding Agent.

The laws of certain United States jurisdictions where holders of Clearnet Shares may reside may require the offer and sale of TELUS Non-Voting Shares to be made by or through broker-dealers licensed in such jurisdictions.

Except as set forth above, the Offerors will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of Clearnet Shares pursuant to the Offers. Brokers, dealers, commercial banks and trust companies and other nominees will, upon request, be reimbursed by the Offerors for customary clerical and mailing expenses incurred by them in forwarding materials to their customers.

In addition, TELUS has retained Georgeson Shareholder Communications Inc. as information agent with respect to the Offers.

OFFEREES' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides holders of Clearnet Shares with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or a notice that is required to be delivered to the holders of Clearnet Shares. However, such rights must be exercised within prescribed time limits. Holders of Clearnet Shares should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

The following documents have been filed with the SEC as part of the registration statement on Form F-10 of which the Offers to Purchase and Circular form a part: (i) the documents listed in the first paragraph under "Additional Information Concerning TELUS — Documents Incorporated by Reference"; (ii) the Support Agreement; (iii) the Lock-up Agreements; (iv) the Dealer Manager Agreement; (v) the form of Letter of Transmittal; (vi) the form of Notice of Guaranteed Delivery; (vii) the consent of Arthur Andersen LLP; (viii) the consent of Farris, Vaughan, Wills & Murphy; (ix) the consent of Bennett Jones LLP; (x) the consent of Cleary, Gottlieb, Steen & Hamilton; and (xi) powers of attorney pursuant to which amendments to the Registration Statement may be signed. Copies of the documents incorporated herein by reference may be obtained on request without charge from Robert J. Dardi, Vice-President and Corporate Secretary, 21st Floor, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7 (604-432-4212). See "Where You Can Obtain More Information".

CONSENT OF COUNSEL

To: The Directors of TELUS Corporation

We hereby consent to the reference to our opinions contained under “Enforceability of Certain Civil Liabilities in the United States” and “Additional Information Concerning TELUS — Eligibility for Investment” in the Circular accompanying the Offers to Purchase dated September 20, 2000 made by TELUS Corporation to the holders of Class A Non-Voting Shares, Class B Shares, Class C Subordinate Voting Shares and Class D Subordinate Voting Shares of Clearnet Communications Inc.

September 20, 2000

(Signed) FARRIS, VAUGHAN, WILLS & MURPHY

To: The Directors of TELUS Corporation

We hereby consent to the reference to our opinion contained under “Canadian Federal Income Tax Considerations” in the Circular accompanying the Offers to Purchase dated September 20, 2000 made by TELUS Corporation to the holders of Class A Non-Voting Shares, Class B Shares, Class C Subordinate Voting Shares and Class D Subordinate Voting Shares of Clearnet Communications Inc.

September 20, 2000

(Signed) BENNETT JONES LLP

To: The Directors of TELUS Corporation

We hereby consent to the reference to our firm under “United States Federal Income Tax Considerations” in the Circular accompanying the Offers to Purchase dated September 20, 2000 made by TELUS Corporation to the holders of Class A Non-Voting Shares, Class B Shares, Class C Subordinate Voting Shares and Class D Subordinate Voting Shares of Clearnet Communications Inc., without admitting that we are experts under applicable U.S. and Canadian federal, or provincial or territorial securities laws.

September 20, 2000

(Signed) CLEARY, GOTTSLIEB, STEEN & HAMILTON

CONSENT OF AUDITORS

To: British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Commission des valeurs mobilières du Québec
Administrator, Department of Provincial Secretary, New Brunswick
Nova Scotia Securities Commission
Registrar of Securities, Prince Edward Island
Registrar of Securities, Newfoundland and Labrador

Dear Sirs:

Re: TELUS Corporation — Offers to purchase any and all of the issued and outstanding Class A Non-Voting Shares, Class B Shares, Class C Subordinate Voting Shares and Class D Subordinate Voting Shares of Clearnet Communications Inc.

We refer to the Circular included in the Offers to Purchase of TELUS Corporation dated September 20, 2000 relating to the purchase of outstanding Class A Non-Voting Shares, Class B Shares, Class C Subordinate Voting Shares and Class D Subordinate Voting Shares of Clearnet Communications Inc.

We consent to the use of our report dated January 28, 2000 (except notes 21 and 22 which are as at September 20, 2000) to the directors of TELUS Corporation on the consolidated balance sheets of TELUS Corporation as at December 31, 1999 and 1998 and the consolidated statements of income, retained earnings and cash flows for each of the two years in the period ended December 31, 1999.

We also consent to the use in the Circular of our compilation report dated September 20, 2000 to the directors of TELUS Corporation on the compilation of the unaudited pro forma consolidated balance sheet of TELUS Corporation as at December 31, 1999 and June 30, 2000 and the unaudited pro forma consolidated statements of income for the year ended December 31, 1999 and the six months ended June 30, 2000.

We report that we have read the Circular and all information specifically incorporated by reference therein and have no reason to believe that there are any misrepresentations in the information contained therein that is derived from the financial statements upon which we have reported or that is within our knowledge as a result of our audits of such financial statements.

This letter is provided to the securities regulatory authorities to which it is addressed pursuant to the requirements of their securities legislation and not for any other purpose.

Vancouver, Canada
September 20, 2000

(Signed) ARTHUR ANDERSEN LLP
Chartered Accountants

CERTIFICATE OF TELUS CORPORATION

The contents of the Offers to Purchase and Circular have been approved, and the sending, communication or delivery thereof to the holders of Clearnet Shares has been authorized, by the board of directors of TELUS Corporation. The foregoing, together with the documents incorporated by reference, 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 the light of the circumstances in which it was made. In addition, the foregoing, together with the documents incorporated by reference, does not contain any misrepresentation likely to affect the value or market price of the Clearnet Shares subject to the Offers or the TELUS Non-Voting Shares offered in exchange therefor.

DATED: September 20, 2000

(Signed) DARREN ENTWISTLE
President and Chief Executive Officer

(Signed) BARRY A. BAPTIE
Executive Vice-President, Finance
and Chief Financial Officer

On behalf of the Board of Directors

(Signed) BRIAN A. CANFIELD
Director

(Signed) HAROLD P. MILAVSKY
Director

CERTIFICATE OF 612459 B.C. LTD.

The contents of the Offers to Purchase and Circular have been approved, and the sending, communication or delivery thereof to the holders of Clearnet Shares has been authorized, by the board of directors of 612459 B.C. Ltd. The foregoing, together with the documents incorporated herein by reference, 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 the light of the circumstances in which it was made. In addition, the foregoing, together with the documents incorporated herein by reference, does not contain any misrepresentation likely to affect the value or the market price of the Clearnet Shares subject to the Offers or the TELUS Non-Voting Shares offered in exchange therefor.

DATED: September 20, 2000.

(Signed) DARREN ENTWISTLE
President and Chief Executive Officer

(Signed) BARRY A. BAPTIE
Executive Vice-President, Finance
and Chief Financial Officer

On behalf of the Board of Directors

(Signed) JAMES W. PETERS
Director

(Signed) ROBERT J. DARDI
Director

SCHEDULE I

TELUS CORPORATION

**AUDITED COMPARATIVE CONSOLIDATED
FINANCIAL STATEMENTS**

MANAGEMENT'S REPORT

Management is responsible to the Board of Directors for the preparation of the consolidated financial statements of the Company and its subsidiaries. These statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include some amounts based on estimates and judgements. Financial information presented elsewhere in this annual report is consistent with that in the consolidated financial statements.

The Company maintains a system of internal control which provides management with reasonable assurance that assets are safeguarded and that reliable financial records are maintained. This system includes written policies and procedures, an organizational structure that segregates duties and a comprehensive program of periodic audits by the internal auditors. The Company has also instituted policies and guidelines which require employees to maintain the highest ethical standards.

The external auditors of the Company, Arthur Andersen LLP have been appointed by the shareholders to express an opinion as to whether these consolidated financial statements present fairly the Company's consolidated financial position and operating results in accordance with generally accepted accounting principles. Their report follows.

The Board of Directors has reviewed and approved these consolidated financial statements. To assist the Board in meeting its responsibility, it has appointed an audit committee which is composed entirely of outside directors. The committee meets periodically with management, the internal auditors and the external auditors to review internal controls, audit results and accounting principles and practices. The committee's terms of reference are available, on request, to shareholders.

(Signed) BARRY A. BAPTIE
Executive Vice-President, Finance
and Chief Financial Officer

AUDITORS' REPORT

**To the Shareholders of
TELUS CORPORATION (formerly BCT.TELUS Communications Inc.)**

We have audited the consolidated balance sheets of TELUS Corporation (formerly BCT.TELUS Communications Inc.) as at December 31, 1999 and 1998 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

ARTHUR ANDERSEN LLP
Chartered Accountants
Vancouver, B.C.
January 28, 2000 (except as to Notes 21 and 22
which are as of September 20, 2000)

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
CONSOLIDATED STATEMENT OF INCOME
Years Ended December 31

	<u>1999</u>	<u>1998</u>
	(millions)	
Operating Revenues		
Local service	\$3,195.0	\$3,160.2
Long distance service	1,609.1	1,720.1
Other (Note 2)	<u>1,068.2</u>	<u>953.6</u>
	5,872.3	5,833.9
Operating Expenses		
Operations	3,544.9	3,515.2
Depreciation and amortization	<u>1,062.1</u>	<u>1,021.9</u>
	4,607.0	4,537.1
Operating Income	1,265.3	1,296.8
Other income, net (Note 3)	40.2	56.9
Financing costs (Note 4)	188.7	232.1
Restructuring costs (Note 1(a))	<u>466.3</u>	<u>—</u>
Income Before Income Taxes and Non-controlling Interest	650.5	1,121.6
Income taxes (Note 5)	<u>296.9</u>	<u>519.5</u>
Income Before Non-controlling Interest	353.6	602.1
Non-controlling interest	<u>3.9</u>	<u>4.6</u>
Income Before Extraordinary Item	349.7	597.5
Extraordinary loss (Note 6)	<u>—</u>	<u>530.6</u>
Net Income	349.7	66.9
Preference and preferred share dividends	<u>3.5</u>	<u>3.5</u>
Common Share Income	<u>\$ 346.2</u>	<u>\$ 63.4</u>
Earnings per Common Share (\$)		
Income before restructuring costs and extraordinary item	2.58	2.51
Common share income	1.46	.27
Average Common Shares Outstanding	236.6	237.0

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Years Ended December 31

	1999	1998
	(millions)	
Balance at beginning of year	\$1,495.9	\$1,772.3
Net income	349.7	66.9
	1,845.6	1,839.2
Less — Preference and preferred share dividends	3.5	3.5
— Premium paid on repurchase of shares	1.3	33.8
— Merger costs (Note 1(a))	51.9	—
— Common share dividends	331.4	306.0
Balance at end of year	\$1,457.5	\$1,495.9

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
CONSOLIDATED BALANCE SHEET
As At December 31

	<u>1999</u>	<u>1998</u>
	(millions)	
Assets		
Current Assets		
Cash and temporary investments	\$ —	\$ 81.4
Accounts receivable (Note 7)	629.1	659.7
Income taxes receivable	69.0	34.4
Inventories	56.3	46.1
Current portion of future income taxes	266.0	147.9
Current portion of sinking fund assets (Note 10)	105.4	32.8
Prepaid expenses and other	120.5	147.7
	<u>1,246.3</u>	<u>1,150.0</u>
Property, plant and equipment, net (Note 8)	5,873.4	5,827.6
Other Assets		
Deferred charges (Note 9)	117.1	121.8
Future income taxes	420.8	528.8
Sinking fund assets (Note 10)	—	92.8
Investments	4.7	5.1
Leases receivable	66.3	24.5
Goodwill (Note 1(g))	64.8	68.0
Other	17.7	41.9
	<u>691.4</u>	<u>882.9</u>
	<u>\$7,811.1</u>	<u>\$7,860.5</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Bank indebtedness	\$ 32.3	\$ —
Accounts payable and accrued liabilities	929.8	709.2
Dividends payable	83.6	77.4
Advance billings and customer deposits	175.6	169.7
Short-term obligations (Note 12)	573.2	781.9
	<u>1,794.5</u>	<u>1,738.2</u>
Long-term debt (Note 13)	1,555.5	1,608.7
Other long-term liabilities	141.0	161.0
Non-controlling interest	12.4	9.6
Shareholders' equity (Note 14)		
Common equity	4,238.0	4,273.3
Preference and preferred shares	69.7	69.7
	<u>4,307.7</u>	<u>4,343.0</u>
	<u>\$7,811.1</u>	<u>\$7,860.5</u>
Commitments (Note 15)		

Approved by the Directors:

(Signed) BRIAN A. CANFIELD
Director

(Signed) HAROLD P. MILAVSKY
Director

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
CONSOLIDATED CASH FLOW STATEMENT
Years Ended December 31

	<u>1999</u>	<u>1998</u>
	(millions)	
Operating Activities		
Income before extraordinary item	\$ 349.7	\$ 597.5
Items not affecting cash:		
Depreciation and amortization	1,062.1	1,021.9
Future income taxes	(10.1)	81.5
Non-cash restructuring related write-offs	79.9	—
Gain on disposal of property and investments (Note 11)	(36.9)	(46.3)
Sinking fund earnings	(12.6)	(11.4)
Other, net	(26.1)	(9.1)
Operating cash flow	<u>1,406.0</u>	<u>1,634.1</u>
Provision for future cash restructuring costs	329.5	—
Operating cash flow adjusted for restructuring costs	1,735.5	1,634.1
Net change in non-cash working capital	(90.4)	(137.8)
Cash provided by operating activities	<u>1,645.1</u>	<u>1,496.3</u>
Investing Activities		
Capital expenditures	(1,199.2)	(1,093.2)
Proceeds from the sale of property and investments (Note 11)	40.2	92.0
Merger costs	(51.9)	—
Other	12.6	(34.4)
Cash used by investing activities	<u>(1,198.3)</u>	<u>(1,035.6)</u>
Financing Activities		
Common shares issued	3.5	7.9
Repurchase of common shares	(1.8)	(47.7)
Dividends to shareholders	(334.9)	(309.7)
Long-term debt issued	44.2	13.9
Redemptions of long-term debt	(258.4)	(934.3)
Sinking fund withdrawal (contribution)	32.7	(2.0)
Change in short-term obligations	(47.7)	494.5
Other	1.9	1.4
Cash used by financing activities	<u>(560.5)</u>	<u>(776.0)</u>
Decrease in cash	(113.7)	(315.3)
Cash and temporary investments, beginning of year	81.4	396.7
Cash and temporary investments (bank indebtedness), end of year	<u>\$ (32.3)</u>	<u>\$ 81.4</u>
Supplemental Disclosure		
Interest paid	<u>\$ 204.7</u>	<u>\$ 249.6</u>
Income taxes paid	<u>\$ 341.6</u>	<u>\$ 517.3</u>

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and in conformity with prevailing practices in the Canadian telecommunications industry. These statements conform in all material respects with International Accounting Standards.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The term "Company" is used to mean BCT.TELUS Communications Inc. and where the context of the narrative permits or requires, its subsidiaries.

(a) Business Combination

On January 31, 1999, the operations of BC TELECOM Inc. (BC TELECOM) and TELUS Corporation (TELUS) were merged to form BCT.TELUS Communications Inc. The merged Company is engaged in providing communications services and solutions for consumers and businesses.

The nature of the business combination was such that neither of the combining companies could be identified as the acquirer for accounting purposes. Therefore, the business combination has been accounted for using the pooling of interests method of accounting whereby the consolidated financial statements reflect the combined carrying values of the assets, liabilities and shareholders' equity, and the combined operating results of BC TELECOM and TELUS for all periods presented.

Under the terms of the merger, shares of BC TELECOM were exchanged on a one-for-one basis and shares of TELUS were exchanged on a one for .7773 basis for shares in BCT.TELUS Communications Inc. Subsequent to the exchange, the former shareholders of BC TELECOM held 52.5% and the former shareholders of TELUS held 47.5% of the 177,427,492 outstanding voting common shares of the combined company. On February 1, 1999, the closing market price of the BCT.TELUS Communications Inc. voting common shares was \$42.50.

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the book values of the assets and liabilities at the date of the merger is as follows:

	<u>BC TELECOM</u>	<u>TELUS</u>
	(millions)	
Assets:		
Current assets	\$ 476.3	\$ 497.5
Property, plant and equipment, net	3,156.9	2,713.8
Other assets	388.4	604.5
	<u>4,021.6</u>	<u>3,815.8</u>
Less:		
Current liabilities	1,017.8	861.6
Long-term debt	883.7	558.5
Other liabilities	77.0	10.4
Non-controlling interest	9.7	—
Net assets	<u>\$2,033.4</u>	<u>\$2,385.3</u>

The operating results of BC TELECOM and TELUS for the month ended January 31, 1999 are as follows:

	<u>BC TELECOM</u>	<u>TELUS</u>
	(millions)	
Revenue	\$261.8	\$215.3
Income before interest and taxes	60.6	35.2
Net income	29.5	15.3

A charge of \$466.3 million was recorded in the first quarter of 1999 for the expected costs in 1999 and 2000 to complete merger-related restructuring activities. More than half of this charge is for management termination costs and the costs of voluntary early retirement programs. The business restructuring also included the rationalization of real estate, the impairment of assets in two start-up businesses that were reassessed in relation to national growth plans and consulting costs from merger integration activities.

Third party costs to effect the merger arrangement were charged to retained earnings in the first quarter of 1999. These costs totaled \$51.9 million and included financial advisor fees, regulatory filing fees, legal and accounting fees, and printing and mailing costs.

The financial statements of BC TELECOM and TELUS have been adjusted to put the accounting methods used by the two companies on a common basis. As part of this process, TELUS Mobility Cellular Inc. has changed its accounting policies relating to the recognition of customer acquisition costs and access revenues. This change was applied retroactively and resulted in a prior period adjustment charging retained

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

earnings with \$25.3 million net of tax as at January 1, 1998. The 1998 results have been restated to reflect this change as follows:

	<u>Increase (Decrease)</u> (millions)
Revenue	\$ (.3)
Operations expense	8.0
Financing costs	1.7
Income tax	<u>(4.5)</u>
Net income	<u>\$ (5.5)</u>
Prepaid expenses and other	\$(23.3)
Deferred charges	(27.4)
Current liabilities	<u>(19.9)</u>
Closing retained earnings	<u><u>\$(30.8)</u></u>

(b) Consolidation

The consolidated financial statements include the accounts of the Company and all of the Company's subsidiaries, of which the principal ones are TELUS Communications Inc., TELUS Communications (B.C.) Inc. (formerly BC TEL), TELUS Mobility Cellular Inc., TELUS Mobile Inc., TELUS Services Inc., TELUS Systems Support Inc., Telecom Leasing Canada (TLC) Limited, and ISM Information Systems Management (B.C.) Corporation (75%).

(c) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis.

(d) Property, Plant and Equipment (Property)

Property is recorded at historical cost and, with respect to self-constructed property, includes materials, direct labour and applicable overhead costs. In addition, where construction projects exceed \$20 million and are of a sufficiently long duration, an amount is capitalized for the cost of funds used to finance construction. This amount is included in the Consolidated Statement of Income as an offset against financing costs. The rate for calculating the capitalized financing costs is based on the Company's one year cost of borrowing. In 1999, \$1.6 million of financing costs was capitalized (\$5.9 million — 1998).

When property, plant and equipment is sold by the Company, the historical cost less accumulated depreciation is netted against the sale proceeds and the difference is included in the Consolidated Statement of Income.

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Depreciation

Assets are depreciated on a straight-line basis over their estimated useful life as determined by a continuing program of engineering studies. The composite depreciation rate for the year ended December 31, 1999 was 7.8% (7.9% — 1998).

(f) Deferred Charges

Deferred charges include deferred pension costs, more fully described in Note 16, deferred costs of issuing debt and deferred start-up costs. The deferred start-up costs are amounts relating to information services contracts that will be matched with related revenues. Discounts on long-term debt are amortized to interest expense on a straight-line basis over the remaining lives of the related liabilities. Where interest coupons and residuals are held as separate investments in sinking funds, discounts are amortized over the period to maturity or call date so as to produce a constant rate of return on the investments.

(g) Goodwill

Goodwill represents the excess of the cost of acquired businesses over the fair value attributed to the net identifiable assets. Goodwill is being amortized on a straight-line basis over either twelve or fifteen years. Management estimates the value of goodwill to be not less than the unamortized balance at December 31, 1999.

(h) Income Taxes

The Company and its subsidiaries follow the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized.

The balance of future income taxes at December 31, 1999 consists mainly of reserves not available for current deduction, undepreciated capital cost in excess of net book value of capital assets arising from the difference between the Company's depreciation rates and those prescribed for income tax purposes and tax losses available to be carried forward.

(i) Leases

Leases are classified as capital or operating depending upon the terms and conditions of the contracts.

Where the Company is the lessor, the majority of capital leases are through its subsidiary, Telecom Leasing Canada (TLC) Limited, which acts as a financing intermediary. The long-term leases receivable represent the present value of future lease payments receivable due beyond one year. Finance income derived from these financing leases is recorded so as to produce a constant rate of return over the terms of the leases.

Where the Company is the lessee, asset values recorded under capital leases are amortized on a straight-line basis over the term of the lease. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from operating leases of equipment is recognized when service is rendered to customers. The leased equipment is depreciated in accordance with the Company's depreciation policy.

(j) Other Long-term Liabilities

Included in Other Long-term Liabilities are contributions from the Government of Alberta under the Individual Line Service program, which are recognized as income on a straight-line basis over the estimated useful life of the related assets. The amount to be recognized as income within one year is included with Advance Billings and Customer Deposits in the Consolidated Balance Sheet.

(k) Research and Development

Research and development costs are expensed in the period in which they are incurred unless they meet certain identifiable criteria for deferral. Research and development costs expensed during the year amounted to \$2.5 million (\$61.6 million — 1998).

(l) Translation of Foreign Currencies

Trade transactions completed in foreign currencies are translated into Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into equivalent Canadian dollars at the rate of exchange in effect at the balance sheet date with any resulting gain or loss being expensed. Gains or losses arising from translation of non-current monetary liabilities are deferred and amortized over the remaining lives of the related liabilities.

(m) Financial Instruments

The Company's financial instruments consist of cash and temporary investments, accounts receivable, leases receivable, sinking fund assets, bank indebtedness, accounts payable and accrued liabilities, dividends payable, notes payable under commercial paper programs and long-term debt.

The carrying value of cash and temporary investments, bank indebtedness, accounts receivable, leases receivable, accounts payable and accrued liabilities, dividends payable and notes payable under commercial paper programs approximates their fair values due to the immediate or short-term maturity of these financial instruments. The fair values of the Company's sinking fund assets are determined by quoted market prices at the balance sheet date. The fair value of the Company's long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturity as well as the use of discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. As of December 31, 1999 the estimated fair value of long-term debt exceeded the carrying value by approximately \$249 million (\$463 million — 1998).

The Company is exposed to interest rate risk arising from fluctuations in interest rates on its temporary investments, sinking fund assets, notes payable under commercial paper programs and long-term debt.

The Company uses various financial instruments which are not reflected on the balance sheet to reduce or eliminate exposure to interest rate and currency risks, and as part of structured financing. These instruments are accounted for on the same basis as the underlying exposure being hedged. At December 31, 1999, the total notional amount of derivative financial instruments outstanding was \$442.4 million (\$416.5 million — 1998). The fair market value of these instruments at December 31, 1999 exceeded their

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

carrying value by approximately \$1 million (\$4 million — 1998). Use of these instruments is subject to a policy which requires that no derivative transaction be effected for the purpose of establishing a speculative or a levered position and sets criteria for the credit worthiness of the transaction counterparties.

The Company is exposed to credit risk with respect to its short-term deposits and sinking fund assets. Credit risk is minimized substantially by ensuring that these financial assets are placed with governments, well-capitalized financial institutions and other credit worthy counter-parties. An ongoing review is performed to evaluate changes in the status of counter parties.

The Company is exposed to credit risk with respect to its accounts and leases receivable, however, this is minimized by the Company's large customer base which covers all consumer and business sectors in British Columbia and Alberta. The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Company maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

2. OTHER REVENUES

	<u>1999</u>	<u>1998</u>
	(millions)	
Service and equipment sales	\$ 405.1	\$372.3
Directory advertising and sales	292.2	277.5
Information services	167.7	111.4
Rental	92.7	104.7
Other	110.5	87.7
	<u>\$1,068.2</u>	<u>\$953.6</u>

3. OTHER INCOME, NET

	<u>1999</u>	<u>1998</u>
	(millions)	
Gain on disposal of property and investments	\$ 36.9	\$46.3
Interest income	10.1	23.4
Sinking fund income	12.6	11.4
Non-operating loss from joint venture	—	(7.2)
Investment loss	—	(4.7)
Charitable donations	(14.7)	(6.5)
Other	(4.7)	(5.8)
	<u>\$ 40.2</u>	<u>\$56.9</u>

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

4. FINANCING COSTS

	1999	1998
	(millions)	
Interest on long-term debt	\$169.2	\$211.2
Other interest	30.5	18.3
Foreign exchange loss (gain)	(9.4)	8.5
	190.3	238.0
Allowance for funds used during construction	1.6	5.9
	\$188.7	\$232.1

5. INCOME TAXES

	1999	1998
	(millions)	
Current	\$307.0	\$438.0
Future	(10.1)	81.5
	\$296.9	\$519.5

A reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	1999	1998
Basic federal and provincial statutory income tax rate	45.5%	45.2%
Non-deductible portion of amortization of acquired assets	0.5	.3
Non-taxable portion of gain on disposal of assets	(0.6)	(.9)
Other	(1.1)	.8
	44.3	45.4
Large corporations tax	1.3	.9
Effective rate per Consolidated Statement of Income	45.6%	46.3%

6. EXTRAORDINARY LOSS

In March 1998, BC TELECOM announced a change in accounting principles in response to the growing competitiveness of the industry and the new regulatory requirements that took effect on January 1, 1998. This change from regulated accounting practices to generally accepted accounting principles resulted in an after-tax, extraordinary charge to earnings of \$530.6 million. This charge comprised a write-down of \$489.0 million to property, plant and equipment and \$41.6 million to eliminate deferred workforce transformation costs and was consistent with similar steps taken previously by most Canadian and U.S. telecommunications companies, including TELUS Corporation in 1997.

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

7. ACCOUNTS RECEIVABLE

	<u>1999</u>	<u>1998</u>
	(millions)	
Trade receivables	\$544.7	\$557.1
Current portion of leases receivable	55.1	46.1
Other	29.3	56.5
	<u>\$629.1</u>	<u>\$659.7</u>

Under an agreement dated November 20, 1997, TELUS Communications (B.C.) Inc. sold, with minimal recourse, accounts receivable for aggregate cash proceeds of \$150 million. Pursuant to the agreement, the purchaser will use the proceeds of collection to purchase further receivables. This agreement, which expires in November 2002, is extendable upon the Company's request.

8. PROPERTY, PLANT AND EQUIPMENT, NET

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
			<u>1999</u>	<u>1998</u>
	(millions)			
Telecommunications assets	\$10,970.2	\$6,837.3	\$4,132.9	\$4,281.2
Assets leased to customers	198.7	147.6	51.1	49.7
Buildings	1,164.1	603.6	560.5	569.3
Office equipment & furniture	447.8	292.2	155.6	145.3
Assets under capital lease	68.2	42.8	25.4	8.2
Other	991.4	613.7	377.7	411.2
	<u>13,840.4</u>	<u>8,537.2</u>	<u>5,303.2</u>	<u>5,464.9</u>
Land	82.8	—	82.8	84.7
Plant under construction	443.6	—	443.6	223.2
Materials and supplies	43.8	—	43.8	54.8
	<u>\$14,410.6</u>	<u>\$8,537.2</u>	<u>\$5,873.4</u>	<u>\$5,827.6</u>

9. DEFERRED CHARGES

	<u>1999</u>	<u>1998</u>
	(millions)	
Pension plan contributions in excess of charges to income	\$ 81.2	\$ 71.1
Cost of issuing debt securities, less amortization	11.2	12.8
Investment in New Media & Broadcast Fund	9.1	9.9
Deferred merger costs	—	8.7
Other	15.6	19.3
	<u>\$117.1</u>	<u>\$121.8</u>

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

10. SINKING FUND ASSETS

Sinking fund assets relate to the Company's note payable and consist of the following:

	1999	1998
	(millions)	
Debentures, at amortized cost		
Government of Canada, direct and guaranteed	\$ 38.3	\$ 48.8
Alberta Government Telephones Commission	67.1	61.8
Short term deposits	—	15.0
	105.4	125.6
Less: current portion	105.4	32.8
	\$ —	\$ 92.8

Assets in the sinking fund have an approximate market value of \$107 million (\$133 million — 1998). The sinking fund assets have a weighted average effective interest rate of 9.3% (10.7% — 1998).

11. SALE OF PROPERTY AND INVESTMENTS

During 1999, the Company disposed of some selected, non-strategic property and investments, including its investments in MediaLinx and Pacific Place Cable, for total proceeds of \$40.2 million resulting in a pre-tax gain of \$36.9 million.

During 1998, dispositions of investments in Telesat, Sierra Wireless and CrossKeys resulted in total proceeds of \$92.0 million and a pre-tax gain of \$46.3 million.

12. SHORT-TERM OBLIGATIONS

Amounts due for redemption within one year are as follows:

	1999	1998
	(millions)	
Notes payable under commercial paper programs	\$246.5	\$494.2
Current maturities of long-term debt	326.7	287.7
	\$573.2	\$781.9

Notes payable under commercial paper programs are unsecured, range in maturity from 17 to 97 days and carry a weighted average interest rate of 5.09%.

At December 31, 1999, \$380.0 million of commercial paper notes (\$180.0 million — 1998) has been classified as long-term debt on the basis of the availability of a \$380.0 million long-term credit facility agreement. In addition, the Company had in place committed operating lines of credit of \$311.0 million (\$465.0 million — 1998).

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999

13. LONG-TERM DEBT

(a) Details of Long-term Debt

<u>Series</u>	<u>Rate</u>	<u>Maturity</u>	<u>1999</u>	<u>1998</u>
			(millions)	
TELUS Communications (B.C.) Inc. First Mortgage Bonds				
AK	6%	February 1999	\$ —	\$ 30.0
AN	10.5%	June 2000	115.0	116.3
			<u>115.0</u>	<u>146.3</u>
TELUS Communications (B.C.) Inc. Debentures				
1	12.0%	May 2010	50.0	50.0
2	11.90%	November 2015	125.0	125.0
3	10.65%	June 2021	175.0	175.0
4	9.15%	April 2002	1.0	21.3
5	9.65%	April 2022	249.0	228.7
			<u>600.0</u>	<u>600.0</u>
TELUS Communications Inc. Debentures				
A	9.50%	August 2004	200.0	200.0
B	8.80%	September 2025	200.0	200.0
			<u>400.0</u>	<u>400.0</u>
TELUS Communications Inc. Notes Payable				
	12.00%	November 1999	—	50.0
	11.80%	May 2003	150.0	150.0
			<u>150.0</u>	<u>200.0</u>
TELUS Communications Inc. notes issued at varying rates of interest up to 12.00%				
			<u>—</u>	<u>78.1</u>
TELUS Communications (B.C.) Inc. Medium Term Note Debentures issued at varying rates of interest up to 8.00% and maturing on various dates up to 2001				
			<u>195.0</u>	<u>265.0</u>
Commercial paper reclassified under a long-term credit facility agreement (Note 12)				
			<u>380.0</u>	<u>180.0</u>
Other long-term debt				
			<u>14.8</u>	<u>17.0</u>
Capital leases (Note 15(e)) issued at varying rates of interest up to 11.75% and maturing on various dates up to 2004				
			<u>27.4</u>	<u>10.0</u>
Total debt			1,882.2	1,896.4
Less — current maturities			<u>326.7</u>	<u>287.7</u>
Long-term Debt			<u>\$1,555.5</u>	<u>\$1,608.7</u>

(b) TELUS Communications (B.C.) Inc. First Mortgage Bonds

TELUS Communications (B.C.) Inc.'s property is subject to liens under the Deed of Trust and Mortgage dated March 1, 1946 under which the first mortgage bonds are issued. The Deed of Trust and Mortgage

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

13. LONG-TERM DEBT (Continued)

requires either an annual sinking fund payment of 1% of the original principal amount of bonds outstanding or the pledge of additional unmortgaged property in the amount of 1.5% of the principal. In 1999, a sinking fund payment was made in respect of the Series AN First Mortgage Bonds.

(c) TELUS Communications (B.C.) Inc. Debentures

Debentures are issued under the Trust Indenture dated May 31, 1990 and are not secured by any mortgage, pledge or other charge. While the Trust Indenture is in effect, further issues of first mortgage bonds are not permitted. New issues of unsecured debt are subject to restrictions as to debt ratio and interest coverage as defined in the Trust Indenture.

The outstanding debentures may not be redeemed prior to maturity.

The Series 4 Debentures were exchangeable, at the holder's option, effective on April 8 of any year during the four-year period from 1996 to 1999, for an equal principal amount of Series 5 Debentures. In 1999, \$20.3 million (\$24.3 million — 1998) of the Series 4 Debentures were exchanged for Series 5 Debentures.

(d) TELUS Communications Inc. Debentures

The outstanding Series A Debentures and Series B Debentures are issued under the TELUS Communications Inc. Trust Indenture dated August 24, 1994 and a supplemental trust indenture dated September 22, 1995 relating to Series B Debentures only. These debentures are not secured by any mortgage, pledge or other charge. During 1995 the Company terminated an interest rate swap contract relating to the Series A Debentures and realized a gain on early termination in the amount of \$16.8 million which is being amortized and credited to interest expense over the remaining term of the Series A Debentures. The amortization of the gain resulted in an effective rate of interest on Series A Debentures in 1999 of 8.79% (8.79% — 1998).

(e) TELUS Communications Inc. Notes Payable

The outstanding note is secured by sinking fund assets of the Company. In accordance with note terms, this note requires annual sinking fund contributions of 1% of the principal amount outstanding until one year prior to maturity. The note has an early redemption provision at the Company's option on May 31, 2000 or on any May 31 or November 30 thereafter prior to maturity. The Company intends to redeem the note in the year 2000.

(f) Medium Term Note Program

Under the terms of the medium term note prospectus, a total of \$2,400.0 million in medium term notes may be issued prior to September 9, 2001. The notes will have maturities, interest rates and other features determined at the time of issue.

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

13. LONG-TERM DEBT (Continued)

(g) Long-term Debt Maturities

Anticipated requirements to meet long-term debt repayments and sinking fund provisions, excluding capital lease maturities, during each of the next five years from December 31, 1999 are as follows:

	<u>(millions)</u>
2000	\$314.9
2001	339.8
2002	1.0
2003	—
2004	400.0

Of the long-term debt repayment in 2000, \$105.4 million is expected to be met by sinking fund assets.

14. SHAREHOLDERS' EQUITY

(a) Details of Shareholders' Equity

	<u>1999</u>	<u>1998</u>
	<u>(millions)</u>	
Common equity		
Voting shares	\$2,080.0	\$2,077.6
Non-voting shares	693.1	692.5
Retained earnings	1,457.5	1,495.9
Contributed surplus	7.4	7.3
	<u>\$4,238.0</u>	<u>\$4,273.3</u>

TELUS Communications (B.C.) Inc. Preference and Preferred, Cumulative

<u>No. of Shares</u>		<u>Par Value</u>	<u>Redemption Premium</u>		
8,090	\$6.00 Preference	\$100	10.0%	\$.8	\$.8
53,000	\$4.375 Preferred	\$100	4.0%	5.3	5.3
47,500	\$4.50 Preferred	\$100	4.0%	4.8	4.8
71,250	\$4.75 Preferred	\$100	5.0%	7.1	7.1
71,250	\$4.75 Preferred ('56)	\$100	4.0%	7.1	7.1
114,700	\$5.15 Preferred	\$100	5.0%	11.5	11.5
96,400	\$5.75 Preferred	\$100	4.0%	9.6	9.6
42,750	\$6.00 Preferred	\$100	5.0%	4.3	4.3
768,400	\$1.21 Preferred	\$ 25	4.0%	19.2	19.2
				<u>69.7</u>	<u>69.7</u>
Total Equity				<u>\$4,307.7</u>	<u>\$4,343.0</u>

(b) Authorized Capital

BCT.TELUS Communications Inc. is authorized to issue an unlimited number of common voting shares, common non-voting shares, first preferred shares and second preferred shares.

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

14. SHAREHOLDERS' EQUITY (Continued)

(c) Changes in Common Shares

	<u>1999</u>		<u>1998</u>	
	<u>Number of Shares</u>	<u>Amount</u> (millions)	<u>Number of Shares</u>	<u>Amount</u> (millions)
Common Voting Shares				
Beginning of Year	177,433,909	\$2,077.6	177,910,895	\$2,082.1
Exercise of stock options	111,963	2.6	265,433	5.9
Normal course issuer bid	—	—	(742,419)	(10.4)
Other	(23,982)	(.2)	—	—
End of Year	<u>177,521,890</u>	<u>\$2,080.0</u>	<u>177,433,909</u>	<u>\$2,077.6</u>
Common Non-Voting Shares				
Beginning of Year	59,144,636	\$ 692.5	59,303,632	\$ 694.0
Exercise of stock options	37,309	.9	88,477	2.0
Normal course issuer bid	—	—	(247,473)	(3.5)
Other	(25,498)	(.3)	—	—
End of Year	<u>59,156,447</u>	<u>\$ 693.1</u>	<u>59,144,636</u>	<u>\$ 692.5</u>

(d) Stock Option Plans

BCT.TELUS Stock Option Plan:

BCT.TELUS has a stock option plan under which directors, officers and key employees receive options to purchase common voting shares at a price equal to the fair market value of the shares at the date of granting. Options purchased by the Company are cancelled. Options granted in the plan may be exercised over specific periods not to exceed 10 years from the date granted.

<u>Year Options Granted</u>	<u>Options Granted</u>	<u>Options Outstanding</u>	<u>Average Exercise Price</u>
1999	781,430	655,358	\$ 35.72

BC TELECOM Stock Option Plan:

Under the terms of the BCTSOP introduced in 1995, BC TELECOM granted key employees options in tandem share appreciation rights and retention options at fixed exercise prices. Effective December 8, 1998 the plan was modified to replace share appreciation rights with a stock option repurchase plan. Options granted in the plan may be exercised over specific periods not to exceed 10 years from the date granted.

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

14. SHAREHOLDERS' EQUITY (Continued)

Options granted prior to 1999 can be exercised in a ratio of 75% voting and 25% non-voting for common shares in BCT.TELUS.

<u>Year Options Granted</u>	<u>Options Granted</u>	<u>Options Outstanding</u>	<u>Average Exercise Price</u>
1999	3,700	3,700	\$ 36.78
1998	339,600	322,934	46.72
1997	435,800	375,496	31.05
1996	427,200	250,401	25.26
1995	213,300	98,900	24.20

BC TELECOM Long-Term Incentive Share Option Plan:

BC TELECOM had stock option plans under which directors, officers and key employees received common share purchase options at a price equal to the fair market value of the shares at the date of granting. Options granted in the plan may be exercised over specific periods not to exceed 10 years from the date granted. These options can be exercised in a ratio of 75% voting and 25% non-voting for common shares in BCT.TELUS.

<u>Year Options Granted</u>	<u>Options Granted</u>	<u>Options Outstanding</u>	<u>Average Exercise Price</u>
1995	395,300	120,486	\$ 24.25
1994	293,756	86,781	25.08
1993	444,300	74,700	19.25
1992	263,725	32,850	22.13
1991	270,600	33,000	20.00

TELUS Stock Option Plans:

TELUS had stock option plans under which directors, officers and key employees received common share purchase options at a price equal to the fair market value of the shares at the date of granting. Options granted under the plans may be exercised over specific periods not to exceed seven years from the date of granting. These options can be exercised in a ratio of 75% voting and 25% non-voting for common shares in BCT.TELUS.

<u>Year Options Granted</u>	<u>Options Granted</u>	<u>Options Outstanding</u>	<u>Average Exercise Price</u>
1998	540,930	398,937	\$ 42.39
1997	670,330	366,276	25.97
1996	717,300	296,001	21.33
1995	379,600	75,157	21.14
1994	387,000	188,803	20.78
1993	406,527	21,505	16.57

At December 31, 1999, 7,769,846 shares remained reserved for issuance under all option plans.

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

14. SHAREHOLDERS' EQUITY (Continued)

(e) Employee Share Purchase Plan

The Company has an employee share purchase plan under which eligible employees can purchase common shares through regular payroll deductions by contributing between 1% and 6% of pay. The Company contributes two dollars for every five dollars contributed by an employee. The Company records its contributions as a component of operating expenses. During 1999, the Company contributed \$19.2 million (\$10.9 million — 1998) to this plan. All common shares issued to employees under the plan during the year were purchased on the market at normal trading prices. Under this plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market.

(f) Dividend Reinvestment and Share Purchase Plan

The Company has a Dividend Reinvestment and Share Purchase Plan under which eligible shareholders may acquire additional common shares through the reinvestment of dividends and optional cash payments. Shares purchased through optional cash payments are subject to a minimum investment of \$100 and a maximum investment of \$20,000 per calendar year. Under this Plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market.

15. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) The Company estimates expenditures for capital asset purchases to be \$1,346 million in 2000. Substantial purchase commitments have been made in connection with these as at December 31, 1999.
- (b) The Company has entered into an agreement for the provision of data processing services. The 2000 cost under this agreement is expected to be approximately \$55 million.
- (c) The Company has entered into a ten year agreement with GTE Corporation (GTE) with respect to the use of GTE's brand and technology. The 2000 cost under this agreement is U.S. \$45 million.
- (d) The Company has entered into an agreement with Bell Canada in the amount of \$29 million in the year 2000 for services previously performed within the Stentor alliance.
- (e) The Company occupies leased premises in various centres and has land, buildings and equipment under operating leases.

At December 31, 1999, the future minimum lease payments under capital leases and operating leases were:

	<u>Capital Leases</u>	<u>Operating Leases</u>
	(millions)	
2000	\$12.6	\$64.2
2001	8.5	57.6
2002	5.9	51.1
2003	1.5	38.6
2004	<u>.7</u>	<u>33.7</u>
Total future minimum lease payments	29.2	
Less imputed interest	<u>1.8</u>	
Capital lease liability	<u>\$27.4</u>	

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

15. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

- (f) A number of claims and lawsuits seeking unspecified damages and other relief are pending against the Company. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion, based upon information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position.

16. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Pension plans are maintained for substantially all employees. These comprise:

- (a) Company sponsored defined benefit plans for management, exempt and certain bargaining unit employees. The defined benefit plans provide pensions based on length of service and average earnings. The Company also maintains non-registered management and executive supplementary income plans.

Accrued pension costs for accounting purposes are determined in accordance with generally accepted accounting principles, using management's best estimate assumptions of future events. Adjustments arising from plan amendments, changes in assumptions, experience gains and losses and the initial net plan assets and obligations are amortized over the expected average remaining service life of employees.

The cumulative difference between the amount contributed to the pension plan and the amount charged to income is recorded in the Consolidated Balance Sheet under Deferred Charges. The accrued obligation for management and executive supplementary income plans is recorded in the Consolidated Balance Sheet under Other Long-term Liabilities.

Based on the actuarial reports of the Company-sponsored pension plans and management and executive supplementary income plans, which used projected employee earnings in estimating the accrued pension and supplementary income obligations and market related value for asset valuation, a comparison of the plan assets and obligations projected to December 31, 1999 has been estimated as follows:

	1999	1998
	(millions)	
Actuarial value of assets	\$3,650.0	\$3,314.9
Actuarial value of obligations	3,081.4	2,790.2
Surplus	\$ 568.6	\$ 524.7

- (b) Defined Contribution Plan for management and exempt employees. The Company contributes a fixed or defined amount to the plan each year.
- (c) Telecommunications Workers Union sponsored pension plan for certain bargaining unit employees. This plan requires the Company to contribute a fixed percentage of employee gross earnings to the trust fund.

The total pension expense amounted to \$93.2 million in 1999 (\$96.8 million — 1998).

The Company provides supplementary life insurance to eligible retirees and certain health care benefits to inactive employees. The expected costs of these employees' benefits are expensed during the years the employees render service and an accumulated obligation is recognized.

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

16. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

The Company provides certain disability and group life insurance benefits for all eligible employees. The cost of these benefits is determined by an independent actuary and the annual funding requirements are paid into specific trusts. The cost of these employee benefits is included in Operations Expense.

17. RELATED PARTY TRANSACTIONS

Transactions with related parties included purchases and sales of telecommunications technology, equipment and supplies, directory advertising commissions and payments for services rendered under cost-sharing agreements. During the year the Company purchased goods and services from related parties amounting to \$139.9 million (\$75.9 million — 1998). Sales to related parties amounted to \$7.2 million (\$7.7 million — 1998). These transactions were conducted in the normal course of business at prices established and agreed to by both parties.

18. SEGMENTED INFORMATION

The Company's reportable segments, which are used to manage the business, are:

- **TELUS Communications (Wireline)** — local access, long distance, and other voice services;
- **Advanced Communications (Adv. Com.)** — digital services, services on dedicated or specialized facilities, internet, Ubiquity network (fibre) and ISM-BC;
- **Mobility (Wireless)** — cellular and paging services;
- **Other** — national operations, directory and advertising services.

Segmentation is based on similarities in technology, the technical expertise required to deliver the products and services, and the distribution channels used.

The accounting policies used for segmented reporting are the same as described in the Summary of Significant Accounting Policies, Note 1.

BCT.TELUS COMMUNICATIONS INC.

SEGMENTED DISCLOSURE

	Wireline		Wireless		Adv. Com.		Other		Eliminations		Totals	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
	(millions)											
External revenue	\$3,783.0	\$3,827.0	\$960.2	\$ 989.0	\$800.9	\$697.3	\$328.2	\$320.6	\$ —	\$ —	\$5,872.3	\$5,833.9
Inter-segment revenue . .	259.0	267.1	14.2	12.9	170.5	240.5	14.2	18.7	(457.9)	(539.2)	—	—
Total operating revenue .	4,042.0	4,094.1	974.4	1,001.9	971.4	937.8	342.4	339.3	(457.9)	(539.2)	5,872.3	5,833.9
Operations expenses . . .	2,388.4	2,407.6	595.0	626.6	799.3	785.9	218.9	224.4	(456.7)	(529.3)	3,544.9	3,515.2
EBITDA*	\$1,653.6	\$1,686.5	\$379.4	\$ 375.3	\$172.1	\$151.9	\$123.5	\$114.9	\$ (1.2)	\$ (9.9)	\$2,327.4	\$2,318.7
Capital additions	\$ 617.5	\$ 677.0	\$165.2	\$ 192.6	\$147.3	\$104.4	\$269.2	\$119.2	\$ —	\$ —	\$1,199.2	\$1,093.2

* EBITDA — Earnings Before Interest, Taxes, Depreciation and Amortization.

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999

19. UNCERTAINTY DUE TO THE YEAR 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

20. PRIOR YEAR PRESENTATION

The 1998 amounts have been reclassified, where applicable, to conform with the 1999 presentation.

21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. The principles adopted in these financial statements conform in all material respects to those generally accepted in the United States except as summarized below. Significant differences between Canadian GAAP and U.S. GAAP would have the following effect on reported net income of the Company:

	<u>1999</u>	<u>1998</u>
	(millions) (except per share amounts)	
Net income in accordance with Canadian GAAP	\$349.7	\$ 66.9
Adjustments, net of tax:		
Net income of acquired company prior to acquisition (a)	(15.3)	(249.3)
TELUS portion of the restructuring charge (b)	144.6	—
Decrease in depreciation expense (c)	17.7	—
Decrease in interest expense (d)	14.2	—
Amortization of intangible assets (e)	(59.2)	—
Goodwill amortization (f)	(11.6)	—
Change in accounting policy (g)	(30.8)	5.5
Asset impairment (h)	—	(232.2)
Asset impairment — decrease in depreciation (h)	40.0	40.0
Net income (loss) in accordance with U.S. GAAP	<u>\$449.3</u>	<u>\$(369.1)</u>
Earnings (loss) per share under U.S. GAAP (basic and diluted):		
Before extra-ordinary items	\$ 1.88	\$ (3.00)
Extra-ordinary items	<u>—</u>	<u>—</u>
After extra-ordinary items	<u>\$ 1.88</u>	<u>\$ (3.00)</u>

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

The following is a restatement of major balance sheet categories to reflect the application of U.S. GAAP:

	<u>1999</u>	<u>1998</u>
	(millions)	
Current assets	\$ 1,246.3	\$ 568.4
Property, plant & equipment	5,449.7	2,792.3
Goodwill	400.2	29.1
Intangible assets	3,923.7	—
Deferred income taxes	603.5	355.7
Other assets	332.4	167.6
	<u>\$11,955.8</u>	<u>\$3,913.1</u>
Current liabilities	\$ 1,794.5	\$ 952.5
Long-term debt	1,664.7	1,054.6
Other long-term liabilities	141.0	84.7
Deferred income taxes	1,804.9	—
Non-controlling interest	12.4	9.6
Shareholders' equity	6,538.3	1,811.7
	<u>\$11,955.8</u>	<u>\$3,913.1</u>

The following is a reconciliation of shareholders' equity incorporating the differences between Canadian and U.S. GAAP:

	<u>1999</u>	<u>1998</u>
	(millions)	
Shareholders' Equity under Canadian GAAP	\$4,307.7	\$ 4,343.0
Adjustments:		
Purchase versus Pooling Accounting (a)–(f)	2,382.8	(2,369.9)
Change in Accounting Policy (g)	—	30.8
Asset Impairment (h)	(152.2)	(192.2)
Shareholders' Equity under U.S. GAAP	<u>\$6,538.3</u>	<u>\$ 1,811.7</u>

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

The following is a restatement of cash flows to reflect the application of U.S. GAAP:

	<u>1999</u>	<u>1998</u>
	(millions)	
Operating Activities		
Net income (loss)	\$ 449.3	\$(369.1)
Depreciation and amortization	1,036.0	463.6
Write-down of assets due to impairment	—	762.8
Deferred income taxes	94.6	(9.7)
Non-cash restructuring related write-offs	7.4	—
Gain on disposal of property and investments	(36.9)	—
Sinking fund earnings	(11.6)	—
Other, net	(21.6)	(11.9)
	<u>1,517.2</u>	<u>835.7</u>
Operating cash flow		
Provision for future cash restructuring costs	147.8	—
Changes in working capital	(44.4)	(41.4)
	<u>1,620.6</u>	<u>794.3</u>
Cash from operations		
Less — dividends to shareholders	(334.9)	(176.2)
	<u>1,285.7</u>	<u>618.1</u>
Investing Activities		
Purchase of TELUS	(110.7)	—
Capital expenditures, net	(1,161.7)	(579.3)
Change in investments and other assets	12.6	(38.2)
Proceeds from the sale of property and investments	40.2	—
Net proceeds on disposition of discontinued operations	—	43.6
Other	—	5.9
	<u>(1,219.6)</u>	<u>(568.0)</u>
Financing Activities		
Common shares issued	3.5	3.7
Long-term debt issued	39.8	9.9
Sinking fund withdrawal	32.7	—
Increase (decrease) in short-term notes payable	(43.3)	251.5
Redemptions of long-term debt	(258.4)	(323.9)
Other	1.4	1.5
	<u>(224.3)</u>	<u>(57.3)</u>
Decrease in cash	(158.2)	(7.2)
Cash and temporary investments, beginning of year	125.9	133.1
Cash and temporary investments (bank indebtedness), end of year	<u>\$ (32.3)</u>	<u>\$ 125.9</u>

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(a) Merger of BC TELECOM and TELUS

The business combination between BC TELECOM and TELUS described in note 1(a) was accounted for using the pooling of interests method under Canadian GAAP. Under Canadian GAAP, the application of the pooling of interests method of accounting for the merger of BC TELECOM and TELUS resulted in the restatement of prior periods as if the two companies have always been combined. Under U.S. GAAP, the merger is accounted for using the purchase method. Use of the purchase method results in TELUS being acquired by BC TELECOM for \$4,662.4 million (including merger related costs of \$51.9 million) effective January 31, 1999. The acquisition was effected by issuing 112.3 million shares in TELUS Corporation (formerly BCT.TELUS Communications Inc.) and 1.5 million options to replace TELUS options outstanding.

The acquisition is summarized as follows:

Net assets acquired:

Net working capital (including bank indebtedness acquired of \$57.5 million)	\$ (644.6)
Property and equipment	2,531.4
Intangible assets	4,033.3
Goodwill	403.1
Deferred income tax asset	587.8
Other assets	284.8
Long-term debt	(667.7)
Deferred income tax liability	(1,855.3)
Other liabilities	(10.4)
	<u>\$ 4,662.4</u>

Financed by:

Issuance of shares and replacement options	\$ 4,609.2
Repurchase of partial shares	1.3
Transaction costs	51.9
	<u>\$ 4,662.4</u>

The results of TELUS prior to the merger date of January 31, 1999 would not be included in the results of the Company under U.S. GAAP. Therefore, \$15.3 million for the month ended January 31, 1999, and \$249.3 million for the year ending December 31, 1998 has been deducted from the net income under Canadian GAAP.

(b) Restructuring Charge

A charge of \$466.3 million was recorded for the expected costs to complete merger-related restructuring activities. Under U.S. GAAP, costs incurred to:

- exit an activity of an acquired company,
- involuntarily terminate employees of an acquired company, or
- relocate employees of an acquired company

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

are recognized as liabilities assumed in a purchase business combination. Therefore, qualifying merger related restructuring costs (after tax) of \$144.6 million associated with TELUS have been recorded as liabilities assumed at the time of purchase.

(c) Depreciation

As TELUS capital assets on acquisition have been recorded at their fair value, depreciation of such assets will be different under U.S. GAAP.

(d) Interest

As TELUS long-term debt on acquisition has been recorded at its fair value, the interest expense of the Company will be different under U.S. GAAP.

(e) Intangible Assets

As TELUS intangible assets on acquisition have been recorded at their fair value, amortization of such assets needs to be included under U.S. GAAP. Amortization is calculated using the straight-line method at the following rates:

	<u>Assigned Fair Value on Acquisition</u>	<u>Useful Life</u>
Subscribers — wireline	\$1,950.0 million	40 years
Spectrum licenses	\$1,833.3 million	40 years
Subscribers — wireless	\$ 250.0 million	10 years

(f) Goodwill

Under the purchase method of accounting, TELUS assets and liabilities at acquisition have been recorded at their fair values with the excess purchase price being allocated to goodwill. The goodwill on the acquisition of TELUS is being amortized on a straight line basis over its estimated life of 20 years.

(g) Change in Accounting Policy

Under Canadian GAAP, changes in accounting policies are applied retroactively. Under U.S. GAAP the cumulative effect of changing to a new accounting principle on the amount of retained earnings at the beginning of the period in which the change is made is included in net income of the period of the change.

(h) Asset Impairment

In assessing capital asset impairment under Canadian GAAP, estimated future net cash flows are not discounted in computing the net recoverable amount. Under U.S. GAAP, the determination on whether or not the assets are impaired is made on a discounted basis. Upon determining that asset impairment existed, the Company estimated fair value using discounted cash flows. Under U.S GAAP the charge taken would be \$232.2 million higher and would not be considered an extra-ordinary item.

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

As a result, under U.S. GAAP the capital assets have a book value which is \$232.2 million lower than the value under Canadian GAAP. Therefore, under U.S. GAAP the annual depreciation expense, after-tax, would be \$40 million lower.

Additional Disclosures Required under U.S. GAAP

Stock Option Compensation

SFAS 123, "Accounting for Stock-based Compensation", establishes financial accounting and reporting standards for stock-based employee compensation plans. As permitted by this statement, the Company has elected to continue to follow the intrinsic value method of accounting for stock-based compensation arrangements, as provided for in APB Opinion 25. Since all options were granted with exercise prices equal to the market price at the date of grant, no compensation cost has been charged to operations.

Under U.S. GAAP, a company which does not adopt the fair value method described in SFAS 123 must disclose the cost of stock compensation awards, at their fair value, at the date the award is granted. The fair value of the Company's options was estimated using the Black-Scholes model with assumptions of a 10 year expected term, 20% volatility, interest rates ranging from 5.3% to 5.6% and an expected dividend yield ranging from 3.3% to 4.1%. Had compensation cost for the employee stock option plan been determined based upon fair value at the date of award, the Company's net income and earnings per share would have been reduced by approximately \$1.3 million and \$0.7 million or \$0.01 and \$0.01 per share in the years 1999 and 1998, respectively.

Comprehensive Income

SFAS 130, "Reporting Comprehensive Income", requires that a statement of comprehensive income be displayed with the same prominence as other financial statements. Comprehensive income, which incorporates net income, includes all changes in equity during a period except those resulting from investments by and distributions to owners. There is no requirement to disclose comprehensive income under Canadian GAAP.

There are no material differences between Canadian and U.S. GAAP which would have an impact on the consolidated statements of comprehensive income except as outlined in the tables above.

Recently Issued Accounting Standards Not Yet Implemented

Under Staff Accounting Bulletin 74, the Company is required to disclose certain information related to new accounting standards which have not yet been adopted due to delayed effective dates.

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" originally effective for fiscal 2000, has been deferred and will now be effective for fiscal 2001. It requires that all derivatives be recognized as either assets or liabilities and measured at fair value. The criteria for determining whether all or a portion of a derivative may be designated as a hedge have changed. Derivatives which are fair value hedges, together with the financial instrument being hedged, will be marked to market with adjustments reflected in income. Derivatives which are cash flow hedges will be marked to market with adjustments reflected in comprehensive income. The impact of implementing this standard on the Company's financial statements is not yet determinable.

TELUS CORPORATION
(FORMERLY BCT.TELUS COMMUNICATIONS INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999

21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

SAB 101, "Revenue Recognition" is effective in the fourth quarter of fiscal years beginning after December 15, 1999. It provides guidance on the recognition, presentation and disclosure of revenue in financial statements and spells out basic criteria that must be met before registrants can record revenue. The impact of implementing this standard on the Company's financial statements is not yet determinable.

FIN 44, "Accounting for Certain Transactions Involving Stock Compensation" is effective July 1, 2000. It addresses certain issues where FASB believed diversity in practice has developed with respect to APB 25. The impact of implementing this standard on the Company's financial statements is not yet determinable.

22. SUBSEQUENT EVENTS

(a) Accounting Entity — Corporate Reorganizations

Effective January 1, 2000, TELUS Communications (B.C.) Inc., Canadian Telephone and Supplies Ltd., TELUS Systems Support Inc. and MPR Extensys Inc. amalgamated pursuant to section 184 of the *Canada Business Corporations Act* ("CBCA") to form the new legal entity TELUS Communications (B.C.) Inc.

Effective January 1, 2000, TELUS Mobility Cellular Inc., TELUS Mobile Inc., TELUS Integrated Communications Inc. and TELUS Properties Inc. also amalgamated pursuant to section 184 of the CBCA to form the new legal entity, TELUS Mobility Cellular Inc.

BCT.TELUS Communications Inc. changed its name to TELUS Corporation, effective May 3, 2000. The former TELUS Corporation also changed its name to TELUS Holdings Inc., effective May 3, 2000.

(b) Offer to purchase Clearnet Communications Inc.

On August 21, 2000, the Company announced its intention to acquire all of the issued and outstanding shares of Clearnet Communications Inc. The purchase involves a combination of 50% cash at \$70.00 per Clearnet A, C or D share and \$0.70 cash per Clearnet B share and 50% stock at 1.636 TELUS non-voting shares per Clearnet A, C or D share and 0.01636 per Clearnet B share. Using the quoted market value of TELUS' shares immediately prior to the announcement on August 21, 2000, the total purchase price excluding the assumption of Clearnet debt is anticipated to be approximately \$4.6 billion. The offer to purchase is expected to close by October 31, 2000.

SCHEDULE II

TELUS CORPORATION

**UNAUDITED PRO FORMA
CONSOLIDATED FINANCIAL STATEMENTS**

Schedule II — TELUS CORPORATION
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Index

	<u>Page</u>
Compilation Report	II-3
Pro Forma Consolidated Financial Statements and notes thereto (December 31, 1999)	II-4
Pro Forma Consolidated Financial Statements and notes thereto (June 30, 2000).....	II-14

COMPILATION REPORT

To the Directors of TELUS Corporation

We have reviewed, as to compilation only, the accompanying unaudited pro forma consolidated balance sheets of TELUS Corporation as at December 31, 1999 and June 30, 2000 and the unaudited pro forma consolidated statements of income for the year ended December 31, 1999 and the six months ended June 30, 2000 which have been prepared for inclusion in the Offers to Purchase of TELUS Corporation dated September 20, 2000 relating to the purchase of outstanding Class A Non-Voting Shares, Class B Shares, Class C Subordinate Voting Shares and Class D Subordinate Voting Shares of Clearnet Communications Inc. In our opinion, the unaudited pro forma balance sheets and statements of income have been properly compiled to give effect to the proposed acquisition and the assumptions described in the accompanying notes thereto.

ARTHUR ANDERSEN LLP
Chartered Accountants
Vancouver, Canada
September 20, 2000

TELUS CORPORATION

**PRO FORMA CONSOLIDATED FINANCIAL
STATEMENTS AND NOTES THERETO
(DECEMBER 31, 1999)**

TELUS CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 1999
(unaudited)

	TELUS Corporation	Clearnet	Combined 2(a)	Pro Forma Adjustments 2(b)	Pro Forma Consolidated
	(millions)				
	(except per share amounts)				
Operating Revenues					
Wireless	\$ 974.4	\$ 353.5	\$1,327.9	\$ —	\$1,327.9
Other	4,897.9	—	4,897.9	—	4,897.9
	<u>5,872.3</u>	<u>353.5</u>	<u>6,225.8</u>	<u>—</u>	<u>6,225.8</u>
Operating Expenses					
Wireless	595.0	550.8	1,145.8	—	1,145.8
Other	2,949.9	—	2,949.9	—	2,949.9
	<u>3,544.9</u>	<u>550.8</u>	<u>4,095.7</u>	<u>—</u>	<u>4,095.7</u>
EBITDA*					
Wireless	379.4	(197.3)	182.1	—	182.1
Other	1,948.0	—	1,948.0	—	1,948.0
	<u>2,327.4</u>	<u>(197.3)</u>	<u>2,130.1</u>	<u>—</u>	<u>2,130.1</u>
Depreciation and amortization	1,055.2	183.8	1,239.0	—	1,239.0
Operating Income (Loss)	1,272.2	(381.1)	891.1	—	891.1
Other income, net	40.2	13.0	53.2	—	53.2
Financing costs	188.7	211.0	399.7	200.6	600.3
Restructuring costs	466.3	—	466.3	—	466.3
	<u>1,967.8</u>	<u>223.9</u>	<u>1,743.9</u>	<u>200.6</u>	<u>1,944.5</u>
Income (Loss) Before Income Taxes and Non-controlling Interest					
Interest	657.4	(579.1)	78.3	(200.6)	(122.3)
Income taxes	296.9	2.7	299.6	(352.5)	(52.9)
	<u>954.3</u>	<u>(576.4)</u>	<u>377.9</u>	<u>(553.1)</u>	<u>(171.2)</u>
Income (Loss) Before Non-controlling Interest	360.5	(581.8)	(221.3)	151.9	(69.4)
Non-controlling interest	3.9	—	3.9	—	3.9
	<u>364.4</u>	<u>(581.8)</u>	<u>(217.4)</u>	<u>151.9</u>	<u>(65.5)</u>
Net Income (Loss) Before Goodwill Charges	356.6	(581.8)	(225.2)	151.9	(73.3)
Goodwill amortization	6.9	—	6.9	241.6	248.5
	<u>363.5</u>	<u>(581.8)</u>	<u>(218.3)</u>	<u>393.5</u>	<u>175.2</u>
Net Income (Loss)	349.7	(581.8)	(232.1)	(89.7)	(321.8)
Preference and preferred share dividends	3.5	—	3.5	—	3.5
	<u>353.2</u>	<u>(581.8)</u>	<u>(228.6)</u>	<u>(89.7)</u>	<u>(318.3)</u>
Common Share Income (Loss)	<u>\$ 346.2</u>	<u>\$(581.8)</u>	<u>\$(235.6)</u>	<u>\$(89.7)</u>	<u>\$(325.3)</u>
Earnings (Loss) per Share (\$)					
Income (loss) before restructuring costs and goodwill charges	2.61	(10.65)	—	—	0.65
Common share income (loss)	1.46	(10.65)	—	—	(1.12)
Average Class A Equivalent Shares Outstanding (millions)	—	54.6	—	—	—
Average Common Shares Outstanding (millions)	236.6	—	—	53.9	290.5
Effective tax rate	45.2%	(0.5)%	—	—	43.2%

* EBITDA — Earnings Before Interest, Taxes, Depreciation and Amortization.

TELUS CORPORATION
PRO FORMA CONSOLIDATED BALANCE SHEET
As at December 31, 1999
(unaudited)

	<u>TELUS Corporation</u>	<u>Cleartnet</u>	<u>Combined 2(a)</u> (millions)	<u>Pro Forma Adjustments 2(b)</u>	<u>Pro Forma Consolidated</u>
Assets					
Current Assets					
Cash and temporary investments	\$ —	\$ 213.5	\$ 213.5	\$ (32.3)	\$ 181.2
Accounts receivable	698.1	77.5	775.6	—	775.6
Inventories	56.3	32.9	89.2	—	89.2
Current portion of future income taxes	266.0	—	266.0	—	266.0
Prepaid expenses and other	225.9	31.0	256.9	—	256.9
	<u>1,246.3</u>	<u>354.9</u>	<u>1,601.2</u>	<u>(32.3)</u>	<u>1,568.9</u>
Property, plant & equipment, net	<u>5,873.4</u>	<u>1,137.7</u>	<u>7,011.1</u>	<u>—</u>	<u>7,011.1</u>
Other Assets					
Future income taxes	420.8	—	420.8	675.0	1,095.8
Goodwill and other intangibles	64.8	—	64.8	4,831.4	4,896.2
Investments and other	205.8	198.9	404.7	97.3	502.0
	<u>691.4</u>	<u>198.9</u>	<u>890.3</u>	<u>5,603.7</u>	<u>6,494.0</u>
	<u>\$7,811.1</u>	<u>\$1,691.5</u>	<u>\$9,502.6</u>	<u>\$5,571.4</u>	<u>\$15,074.0</u>
Liabilities					
Current Liabilities					
Bank indebtedness	\$ 32.3	\$ —	\$ 32.3	\$ (32.3)	\$ —
Accounts payable & accrued liabilities	929.8	190.8	1,120.6	—	1,120.6
Dividends payable	83.6	—	83.6	—	83.6
Advance billings & customer deposits	175.6	—	175.6	—	175.6
Short-term obligations	573.2	—	573.2	—	573.2
	<u>1,794.5</u>	<u>190.8</u>	<u>1,985.3</u>	<u>(32.3)</u>	<u>1,953.0</u>
Long-term debt	<u>1,555.5</u>	<u>2,109.8</u>	<u>3,665.3</u>	<u>2,690.2</u>	<u>6,355.5</u>
Other long-term liabilities	<u>141.0</u>	<u>—</u>	<u>141.0</u>	<u>—</u>	<u>141.0</u>
Non-controlling interest	<u>12.4</u>	<u>—</u>	<u>12.4</u>	<u>—</u>	<u>12.4</u>
Shareholders' Equity (Deficiency)					
Common equity	4,238.0	(609.1)	3,628.9	2,913.5	6,542.4
Preference and preferred shares	69.7	—	69.7	—	69.7
	<u>4,307.7</u>	<u>(609.1)</u>	<u>3,698.6</u>	<u>2,913.5</u>	<u>6,612.1</u>
	<u>\$7,811.1</u>	<u>\$1,691.5</u>	<u>\$9,502.6</u>	<u>\$5,571.4</u>	<u>\$15,074.0</u>

Approved by the Directors:

(Signed) BRIAN A. CANFIELD
Director

(Signed) HAROLD P. MILAVSKY
Director

TELUS CORPORATION
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999
(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated financial statements for TELUS Corporation have been prepared in accordance with Canadian generally accepted accounting principles and are based on:

- the audited consolidated financial statements of TELUS Corporation (“TELUS”) for the year ended December 31, 1999; and
- the audited consolidated financial statements of Clearnet Communications Inc. (“Clearnet”) for the year ended December 31, 1999.

The pro forma consolidated financial statements are not necessarily indicative of the results that actually would have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. No attempt has been made to calculate or estimate the effect of any potential synergies or harmonization of accounting policies between the two companies.

2. ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma consolidated financial statements have been prepared from the following assumptions and adjustments:

(a) Combination assumptions

The business combination between TELUS and Clearnet has been accounted for using the purchase method. The pro forma statement of income reflects the purchase as though it had occurred on January 1, 1999. The pro forma balance sheet reflects the purchase as if it had occurred on December 31, 1999.

- The purchase transaction comprises the acquisition of all the outstanding shares of Clearnet, including exercisable options, warrants and convertible debentures, for \$2,304.3 million in cash and 53.85 million non-voting common shares of TELUS. The total purchase price (including an estimated \$30 million of related acquisition costs) is \$4,638.7 million. The cash component of the purchase will be funded by debt issued by TELUS for approximately \$2,334.3 million. The 53.85 million TELUS common shares are assumed to have been issued at \$42.7888 each for total proceeds of \$2,304.4 million.

(b) Pro forma adjustments

Balance Sheet

- Bank indebtedness of \$32.3 million has been reclassified against cash and temporary investments
- A future income tax asset of \$675 million has been recorded representing the value of tax loss carry forwards in Clearnet that will be available to reduce future taxable income in TELUS after certain reorganization arrangements have been completed
- Other assets have been increased by \$97.3 million of debt issuance costs associated with replacement debt for Clearnet
- Long-term debt has been increased by:
 - (1) \$2,334.3 million borrowed to fund the purchase; and
 - (2) a \$355.9 million estimated fair market value adjustment to Clearnet debt, which is based upon the company’s debt repayment plans and the expected market rates for debt with similar terms and conditions.

TELUS CORPORATION
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999
(unaudited)

2. ASSUMPTIONS AND ADJUSTMENTS (Continued)

- Common equity increased by:
 - (1) \$2,304.4 million from the TELUS equity issue; and
 - (2) \$609.1 million for the elimination of Clearnet common share capital and retained deficit
- Goodwill and other intangibles have been recorded for the purchase price in excess of net tangible assets.

Income Statement

- Financing costs have increased by:
 - (1) \$186.7 million as a result of interest expense on debt issued to affect the purchase, and
 - (2) \$13.9 million for amortization of the deferred financing charge.
- The income tax adjustment reflects the recording of future income tax benefit on the current year loss, as well as a reduction in taxes associated with the increased financing costs. The effective tax rate assumed was 45.2%.
- Amortization of goodwill of \$241.6 million associated with the purchase has been recorded based upon an amortization period of 20 years.

(c) Other

- No other adjustments have been made to operating revenues and expenses for any changes expected to occur in future years as a result of this reorganization.
- The purchase of QuebecTel by TELUS effective June 1, 2000 has not been reflected in these pro forma statements.

TELUS CORPORATION
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999
(unaudited)

3. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The unaudited pro forma consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada. The principles adopted in these financial statements conform in all material respects to those generally accepted in the United States except as summarized below. Significant differences between Canadian GAAP and U.S. GAAP would have the following effect on reported net income of the Company for the year ended December 31, 1999:

	(millions) (except per share amounts)
Net loss in accordance with Canadian GAAP	\$(321.8)
TELUS Adjustments, net of tax:	
Net loss of acquired company prior to acquisition (a)	(15.3)
TELUS portion of the restructuring charge (b)	144.6
Decrease in depreciation expense (c)	17.7
Decrease in interest expense (d)	14.2
Amortization of intangible assets (e)	(59.2)
Goodwill amortization (f)	(11.6)
Change in accounting policy (g)	(30.8)
Asset impairment difference (h)	40.0
Clearnet Adjustments, net of tax:	
Premium on repurchase of long-term debt (j)	6.0
Foreign exchange (i)	<u>30.0</u>
Net loss before Extra-ordinary Item	(186.2)
Premium on repurchase of long-term debt (j)	<u>(6.0)</u>
Net loss in accordance with U.S. GAAP	<u><u>\$(192.2)</u></u>
Loss per share under U.S. GAAP (basic and diluted):	
Before extra-ordinary items	\$ (0.65)
Extra-ordinary items	<u>(0.02)</u>
After extra-ordinary items	<u><u>\$ (0.67)</u></u>

TELUS CORPORATION
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999
(unaudited)

3. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

The following is a restatement of major balance sheet categories to reflect the application of U.S. GAAP:

	(millions)
Current assets	\$ 1,568.9
Property, plant & equipment	6,587.4
Goodwill	5,231.6
Intangible assets	3,923.7
Deferred income taxes	1,278.5
Other assets	624.2
	<u>\$19,214.3</u>
Current liabilities	\$ 1,953.0
Long-term debt	6,464.7
Other long-term liabilities	141.0
Deferred income taxes	1,804.9
Non-controlling interest	12.4
Shareholders' equity	8,838.3
	<u>\$19,214.3</u>

(a) Merger of BC TELECOM and TELUS

The business combination between BC TELECOM and TELUS was accounted for using the pooling of interests method under Canadian GAAP. The merger transaction is more fully described in note 1(a) of the Company's audited consolidated financial statements contained in Schedule I of this circular. Under Canadian GAAP, the application of the pooling of interests method of accounting for the merger of BC TELECOM and TELUS resulted in the restatement of prior periods as if the two companies had always been combined. Under U.S. GAAP, the merger is accounted for using the purchase method. Use of the purchase method results in TELUS being acquired by BC TELECOM for \$4,662.4 million (including merger related costs of \$51.9 million and \$1.3 million paid to repurchase partial shares) effective January 31, 1999. The acquisition was effected by issuing 112.3 million shares in TELUS Corporation (formerly "BCT.TELUS Communications Inc.") and 1.5 million options to replace TELUS options outstanding.

TELUS CORPORATION
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999
(unaudited)

3. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

The acquisition is summarized as follows:

Net assets acquired:

Net working capital (including bank indebtedness acquired of \$57.5 million)	\$ (644.6)
Property and equipment	2,531.4
Intangible assets	4,033.3
Goodwill	403.1
Deferred income tax asset	587.8
Other assets	284.8
Long-term debt	(667.7)
Deferred income tax liability	(1,855.3)
Other liabilities	(10.4)
	<u>\$ 4,662.4</u>

Financed by:

Issuance of shares and replacement options	\$ 4,609.2
Repurchase of partial shares	1.3
Transaction costs	51.9
	<u>\$ 4,662.4</u>

The results of TELUS prior to the merger date of January 31, 1999 would not be included in the results of the Company under U.S. GAAP. Therefore, \$15.3 million for the month ended January 31, 1999 has been deducted from the net income under Canadian GAAP for the year ended December 31, 1999.

(b) Restructuring Charge

A charge of \$466.3 million was recorded for the expected costs to complete merger-related restructuring activities. Under U.S. GAAP, costs incurred to:

- exit an activity of an acquired company,
- involuntarily terminate employees of an acquired company, or
- relocate employees of an acquired company

are recognized as liabilities assumed in a purchase business combination. Therefore, qualifying merger related restructuring costs (after tax) of \$144.6 million associated with TELUS have been recorded as liabilities assumed at the time of purchase.

(c) Depreciation

As TELUS capital assets on acquisition have been recorded at their fair value, depreciation of such assets will be different under U.S. GAAP.

TELUS CORPORATION
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999
(unaudited)

3. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(d) Interest

As TELUS long-term debt on acquisition has been recorded at its fair value, the interest expense of the Company will be different under U.S. GAAP.

(e) Intangible Assets

As TELUS intangible assets on acquisition have been recorded at their fair value, amortization of such assets needs to be included under U.S. GAAP. Amortization is calculated using the straight-line method at the following rates:

	<u>Assigned Fair Value on Acquisition</u>	<u>Useful Life</u>
Subscribers — wireline	\$1,950.0 million	40 years
Spectrum licenses	\$1,833.3 million	40 years
Subscribers — wireless	\$ 250.0 million	10 years

(f) Goodwill

Under the purchase method of accounting, TELUS assets and liabilities at acquisition have been recorded at their fair values with the excess purchase price being allocated to goodwill. The goodwill on the acquisition of TELUS is being amortized on a straight line basis over its estimated life of 20 years.

(g) Change in Accounting Policy

Under Canadian GAAP, changes in accounting policies are applied retroactively. Under U.S. GAAP the cumulative effect of changing to a new accounting principle on the amount of retained earnings at the beginning of the period in which the change is made is included in net income of the period of the change.

(h) Asset Impairment

In assessing capital asset impairment under Canadian GAAP, estimated future net cash flows are not discounted in computing the net recoverable amount. Under U.S. GAAP, the determination on whether or not the assets are impaired is made on a discounted basis. Upon determining that asset impairment existed, the Company estimated fair value using discounted cash flows. Under U.S. GAAP the charge taken would not be considered an extra-ordinary item.

As a result, under U.S. GAAP the capital assets have a book value which is \$232.2 million lower than the value under Canadian GAAP. Therefore, under U.S. GAAP the annual depreciation expense, after-tax, would be \$40 million lower.

(i) Foreign Exchange

U.S. GAAP requires that gains and losses on foreign exchange resulting from the translation of long-term debt be charged to income when incurred. Canadian GAAP requires foreign exchange gains or losses arising on the translation of long-term debt be deferred and amortized over the remaining life of the long-term debt.

TELUS CORPORATION
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1999
(unaudited)

3. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(j) Extraordinary item

Under U.S. GAAP, the loss on the redemption of certain Clearnet Communications Inc. 2005 Senior Discount Notes, which is included in interest expense for Canadian GAAP purposes, would have been treated as an extraordinary item.

(k) Restatement of Prior Year Periods

During the first quarter of 2000, the Company applied the provisions of the new Canadian accounting standard for income taxes retroactively. Under the new standard, which is substantially consistent with the U.S. accounting standard "Statement of Financial Accounting Standards No. 109 *Income Taxes*", the Company accounts for future income tax assets or future income tax liabilities at the tax rates that are expected to apply when the asset or liability is settled. As encouraged under the new rules, prior year financial statements have been restated. The effect of this change on the balance sheet as at December 31, 1999 is to increase intangible and other assets and reduce the deficit by \$99.0 million.

(l) Comprehensive Income

SFAS 130, "Reporting Comprehensive Income", requires that a statement of comprehensive income be displayed with the same prominence as other financial statements. Comprehensive income, which incorporates net income, includes all changes in equity during a period except those resulting from investments by and distributions to owners. There is no requirement to disclose comprehensive income under Canadian GAAP.

There are no material differences between Canadian and U.S. GAAP which would have an impact on the consolidated statements of comprehensive income except as outlined in the tables above.

TELUS CORPORATION

**PRO FORMA CONSOLIDATED FINANCIAL
STATEMENTS AND NOTES THERETO
(JUNE 30, 2000)**

TELUS CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF INCOME
For the six months ended June 30, 2000
(unaudited)

	TELUS Corporation	Clearnet	Combined 2(a) (millions)	Pro Forma Adjustments 2(b)	Pro Forma Consolidated
Operating Revenues					
Wireless	\$ 521.2	\$ 244.5	\$ 765.7	\$ —	\$ 765.7
Other	2,485.5	—	2,485.5	—	2,485.5
	<u>3,006.7</u>	<u>244.5</u>	<u>3,251.2</u>	<u>—</u>	<u>3,251.2</u>
Operating Expenses					
Wireless	322.4	327.4	649.8	—	649.8
Other	1,454.6	—	1,454.6	—	1,454.6
	<u>1,777.0</u>	<u>327.4</u>	<u>2,104.4</u>	<u>—</u>	<u>2,104.4</u>
EBITDA*					
Wireless	198.8	(82.9)	115.9	—	115.9
Other	1,030.9	—	1,030.9	—	1,030.9
	<u>1,229.7</u>	<u>(82.9)</u>	<u>1,146.8</u>	<u>—</u>	<u>1,146.8</u>
Depreciation and amortization	548.3	113.5	661.8	—	661.8
Operating Income (Loss)	681.4	(196.4)	485.0	—	485.0
Other income, net	10.7	—	10.7	—	10.7
Financing costs	103.1	125.4	228.5	100.4	328.9
	<u>1,229.7</u>	<u>(82.9)</u>	<u>1,146.8</u>	<u>—</u>	<u>1,146.8</u>
Income (Loss) Before Income Taxes and Non-controlling Interest					
Income taxes	589.0	(321.8)	267.2	(100.4)	166.8
	<u>255.7</u>	<u>1.7</u>	<u>257.4</u>	<u>(188.4)</u>	<u>69.0</u>
Income (Loss) Before Non- controlling Interest					
Non-controlling interest	333.3	(323.5)	9.8	88.0	97.8
	<u>2.9</u>	<u>—</u>	<u>2.9</u>	<u>—</u>	<u>2.9</u>
Net Income (Loss) Before Goodwill Charges					
Goodwill amortization	330.4	(323.5)	6.9	88.0	94.9
	<u>3.0</u>	<u>—</u>	<u>3.0</u>	<u>120.8</u>	<u>123.8</u>
Net Income (Loss)					
Preference and preferred share dividends	327.4	(323.5)	3.9	(32.8)	(28.9)
	<u>1.8</u>	<u>—</u>	<u>1.8</u>	<u>—</u>	<u>1.8</u>
Common Share Income (Loss)					
	<u>\$ 325.6</u>	<u>\$(323.5)</u>	<u>\$ 2.1</u>	<u>\$ (32.8)</u>	<u>\$ (30.7)</u>
Earnings (Loss) per Share (\$)					
Income before goodwill charges	1.39	(5.57)	—	—	0.32
Common share income (loss)	1.37	(5.57)	—	—	(0.11)
Average Class A Equivalent Shares Outstanding (millions)					
	—	58.1	—	—	—
Average Common Shares Outstanding (millions)					
	236.9	—	—	53.9	290.8
Effective tax rate					
	43.4%	(0.5)%	—	—	41.4%

* EBITDA — Earnings Before Interest, Taxes, Depreciation and Amortization.

TELUS CORPORATION
PRO FORMA CONSOLIDATED BALANCE SHEET
As at June 30, 2000
(unaudited)

	<u>TELUS Corporation</u>	<u>Clearnet</u>	<u>Combined 2(a)</u> (millions)	<u>Pro Forma Adjustments 2(b)</u>	<u>Pro Forma Consolidated</u>
Assets					
Current Assets					
Cash and temporary investments	\$ 101.4	\$ 299.5	\$ 400.9	\$ —	\$ 400.9
Accounts receivable	870.2	73.5	943.7	—	943.7
Inventories	51.5	39.2	90.7	—	90.7
Current portion of future income taxes	182.4	—	182.4	—	182.4
Prepaid expenses and other	143.6	40.4	184.0	—	184.0
	<u>1,349.1</u>	<u>452.6</u>	<u>1,801.7</u>	<u>—</u>	<u>1,801.7</u>
Property, plant & equipment, net	<u>6,223.7</u>	<u>1,207.3</u>	<u>7,431.0</u>	<u>—</u>	<u>7,431.0</u>
Other Assets					
Future income taxes	404.5	—	404.5	740.0	1,144.5
Goodwill and other intangibles	462.0	—	462.0	4,833.6	5,295.6
Investments and other	255.2	296.3	551.5	97.3	648.8
	<u>1,121.7</u>	<u>296.3</u>	<u>1,418.0</u>	<u>5,670.9</u>	<u>7,088.9</u>
	<u>\$8,694.5</u>	<u>\$1,956.2</u>	<u>\$10,650.7</u>	<u>\$5,670.9</u>	<u>\$16,321.6</u>
Liabilities					
Current Liabilities					
Accounts payable & accrued liabilities	\$ 865.3	\$ 203.7	\$ 1,069.0	\$ —	\$ 1,069.0
Dividends payable	83.7	—	83.7	—	83.7
Advance billings & customer deposits	167.6	—	167.6	—	167.6
Short-term obligations	1,137.4	—	1,137.4	—	1,137.4
	<u>2,254.0</u>	<u>203.7</u>	<u>2,457.7</u>	<u>—</u>	<u>2,457.7</u>
Long-term debt	<u>1,727.1</u>	<u>2,428.8</u>	<u>4,155.9</u>	<u>2,690.2</u>	<u>6,846.1</u>
Other long-term liabilities	<u>153.2</u>	<u>—</u>	<u>153.2</u>	<u>—</u>	<u>153.2</u>
Non-controlling interest	<u>83.4</u>	<u>—</u>	<u>83.4</u>	<u>—</u>	<u>83.4</u>
Shareholders' Equity (Deficiency)					
Common equity	4,407.1	(821.4)	3,585.7	3,125.8	6,711.5
Preference and preferred shares	69.7	—	69.7	—	69.7
Convertible debentures	—	145.1	145.1	(145.1)	—
	<u>4,476.8</u>	<u>(676.3)</u>	<u>3,800.5</u>	<u>2,980.7</u>	<u>6,781.2</u>
	<u>\$8,694.5</u>	<u>\$1,956.2</u>	<u>\$10,650.7</u>	<u>\$5,670.9</u>	<u>\$16,321.6</u>

TELUS CORPORATION
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2000
(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated financial statements for TELUS Corporation have been prepared in accordance with Canadian generally accepted accounting principles and are based on:

- the unaudited consolidated financial statements of TELUS Corporation (“TELUS”) for the six months ended June 30, 2000; and
- the unaudited consolidated financial statements of Clearnet Communications Inc. (“Clearnet”) for the six months ended June 30, 2000.

The unaudited pro forma consolidated financial statements are not necessarily indicative of the results that actually would have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. No attempt has been made to calculate or estimate the effect of any potential synergies or harmonization of accounting policies between the two companies.

2. ASSUMPTIONS AND ADJUSTMENTS

The pro forma consolidated financial statements have been prepared from the following assumptions and adjustments:

(a) Combination assumptions

The business combination between TELUS and Clearnet has been accounted for using the purchase method. The pro forma statement of income reflects the purchase as though it had occurred on January 1, 2000. The pro forma balance sheet reflects the purchase as if it had occurred on June 30, 2000.

- The purchase transaction comprises the acquisition of all the outstanding shares of Clearnet, including exercisable options, warrants and convertible debentures, for \$2,304.3 million in cash and 53.85 million non-voting common shares of TELUS. The total purchase price (including an estimated \$30 million of related acquisition costs) is \$4,638.7 million. The cash component of the purchase will be funded by debt issued by TELUS for approximately \$2,334.3 million. The 53.85 million TELUS common shares are assumed to have been issued at \$42.7888 each for total proceeds of \$2,304.4 million.

(b) Pro Forma adjustments

Balance Sheet

- A future income tax asset of \$740 million has been recorded representing the value of tax loss carry forwards in Clearnet that will be available to reduce future taxable income in TELUS after certain reorganization arrangements have been completed.
- Other assets have increased by \$97.3 million of debt issuance costs associated with replacement debt for Clearnet.
- Long-term debt has increased by:
 - 1) \$2,334.3 million borrowed to fund part of the purchase;
 - 2) a \$355.9 million estimated fair market value adjustment to Clearnet debt, which is based upon the company’s debt repayment plans and the expected market rates for debt with similar terms and conditions.

TELUS CORPORATION

NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2000
(unaudited)

2. ASSUMPTIONS AND ADJUSTMENTS (Continued)

- Common equity increased by:
 - 1) \$2,304.4 million from TELUS equity issue;
 - 2) \$821.4 million for the elimination of Clearnet common share capital and retained deficit; and
 - 3) \$145.1 million for the elimination of Clearnet convertible debentures, which are assumed to be converted into common equity.
- Goodwill and other intangibles have been recorded for the purchase price in excess of net tangible assets.

Income Statement

- Financing costs have increased by:
 - 1) \$93.4 million as a result of interest expense on debt issued to affect the purchase, and
 - 2) \$7.0 million for amortization of the deferred financing charge.
- The income tax adjustment reflects the recording of future income tax benefit on the current year loss, as well as a reduction in taxes associated with the increased financing costs. The effective tax rate assumed was 44.6%.
- Amortization of goodwill of \$120.8 million associated with the purchase has been recorded, based upon an amortization period of 20 years.

(c) Other

- No other adjustments have been made to operating revenues and expenses for any changes expected to occur in future years as a result of this reorganization.

3. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The unaudited pro forma consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada. The principles adopted in these financial statements conform in all material respects to those generally accepted in the United States except as

TELUS CORPORATION
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2000
(unaudited)

3. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

summarized below. Significant differences between Canadian GAAP and U.S. GAAP would have the following effect on reported net income of the Company for the six months ended June 30, 2000:

	(millions)
Net loss in accordance with Canadian GAAP	\$(28.9)
TELUS Adjustments, net of tax:	
Decrease in depreciation expense (b)	9.7
Decrease in interest expense (c)	16.0
Increase in future employee benefits (d)	(4.6)
Amortization of intangible assets (e)	(32.4)
Goodwill amortization (f)	(10.1)
Asset impairment difference (g)	20.0
Clearnet Adjustments, net of tax:	
Premium on repurchase of long-term debt (j)	7.5
Interest expense on convertible debentures (i)	(0.3)
Foreign exchange (h)	<u>(8.6)</u>
Net loss before Extra-ordinary Item	(31.7)
Premium on repurchase of long-term debt (j)	<u>(7.5)</u>
Net loss in accordance with U.S. GAAP	<u><u>\$(39.2)</u></u>
Loss per share under U.S. GAAP (basic and diluted):	
Before extra-ordinary items	\$(0.11)
Extra-ordinary items	<u>(0.03)</u>
After extra-ordinary items	<u><u>\$(0.14)</u></u>

The following is a restatement of major balance sheet categories to reflect the application of U.S. GAAP:

	(millions)
Current assets	\$ 1,801.7
Property, plant & equipment	7,061.3
Goodwill	5,677.0
Intangible assets	3,863.9
Deferred income tax assets	1,237.0
Other assets	<u>755.4</u>
	<u><u>\$20,396.3</u></u>
Current liabilities	\$ 2,457.7
Long-term debt	6,925.8
Other long-term liabilities	153.2
Deferred income tax liabilities	1,777.4
Non-controlling interest	83.4
Shareholders' equity	<u>8,998.8</u>
	<u><u>\$20,396.3</u></u>

TELUS CORPORATION

NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2000
(unaudited)

3. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(a) Merger of BC TELECOM and TELUS

The business combination between BC TELECOM and TELUS was accounted for using the pooling of interests method under Canadian GAAP. The merger transaction is more fully described in note 1(a) of the Company's audited consolidated financial statements contained in Schedule I of this Circular. Under Canadian GAAP, the application of the pooling of interests method of accounting for the merger of BC TELECOM and TELUS resulted in the restatement of prior periods as if the two companies had always been combined. Under U.S. GAAP, the merger is accounted for using the purchase method. Use of the purchase method results in TELUS being acquired by BC TELECOM for \$4,662.4 million (including merger related costs of \$51.9 million and \$1.3 million paid to repurchase partial shares) effective January 31, 1999. The acquisition was effected by issuing 112.3 million shares in TELUS Corporation (formerly "BCT.TELUS Communications Inc.") and 1.5 million options to replace TELUS options outstanding.

The acquisition is summarized as follows:

Net assets acquired:	
Net working capital (including bank indebtedness acquired of \$57.5 million)	\$ (644.6)
Property and equipment	2,531.4
Intangible assets	4,033.3
Goodwill	403.1
Deferred income tax assets	587.8
Other assets	284.8
Long-term debt	(667.7)
Deferred income tax liabilities	(1,855.3)
Other liabilities	(10.4)
	\$ 4,662.4
Financed by:	
Issuance of shares and replacement options	\$ 4,609.2
Repurchase of partial shares	1.3
Transaction costs	51.9
	\$ 4,662.4

(b) Depreciation

As TELUS capital assets on acquisition have been recorded at their fair value, depreciation of such assets will be different under U.S. GAAP.

(c) Interest

As TELUS long-term debt on acquisition has been recorded at its fair value, the interest expense of the Company will be different under U.S. GAAP.

TELUS CORPORATION

NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2000
(unaudited)

3. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(d) Future Employee Benefits

Under U.S. GAAP, TELUS Future Employee Benefit assets and obligations have been recorded at their fair values on acquisition. Accounting for Future Employee Benefits under Canadian GAAP changed to become more consistent with U.S. GAAP effective January 1, 2000. Canadian GAAP provides that the transitional balances can be accounted for prospectively. Therefore, to conform to U.S. GAAP, the amortization of the transitional amount needs to be removed from the future employee benefit expense.

(e) Intangible Assets

As TELUS intangible assets on acquisition have been recorded at their fair value, amortization of such assets needs to be included under U.S. GAAP. Amortization is calculated using the straight-line method at the following rates:

	Assigned Fair Value on Acquisition	Useful Life
Subscribers — wireline	\$1,950.0 million	40 years
Spectrum licenses	\$1,833.3 million	40 years
Subscribers — wireless	\$ 250.0 million	10 years

(f) Goodwill

Under the purchase method of accounting, TELUS assets and liabilities at acquisition have been recorded at their fair values with the excess purchase price being allocated to goodwill. The goodwill on the acquisition of TELUS is being amortized on a straight line basis over its estimated life of 20 years.

(g) Asset Impairment

In assessing capital asset impairment under Canadian GAAP, estimated future net cash flows are not discounted in computing the net recoverable amount. Under U.S. GAAP, the determination on whether or not the assets are impaired is made on a discounted basis. Upon determining that asset impairment existed, the Company estimated fair value using discounted cash flows.

As a result, under U.S. GAAP the capital assets have a book value which is \$232.2 million lower than the value under Canadian GAAP. Therefore, under U.S. GAAP the annual depreciation expense, after-tax, would be \$40 million lower.

(h) Foreign exchange

U.S. GAAP requires that gains and losses on foreign exchange resulting from the translation of long-term debt be charged to income when incurred. Canadian GAAP requires foreign exchange gains or losses arising on the translation of long-term debt be deferred and amortized over the remaining life of the long-term debt.

TELUS CORPORATION

NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2000
(unaudited)

3. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(i) Convertible Debentures

Under Canadian GAAP, financial instruments such as the 6.75% Convertible Unsecured Subordinated Debentures (the "Debentures") issued by Clearnet on June 19, 2000, are classified as debt or equity according to their substance rather than their legal form. Accordingly, due to the substance of the transaction the Debentures have been classified as equity and the corresponding interest expense has been charged to the deficit rather than to the Statement of Operations. Under U.S. GAAP the Debentures would be included in long-term debt and the corresponding interest expense charged to the Statement of Operations. Furthermore, under Canadian GAAP, the holder conversion option is valued separately and is treated as a distinct element from the principal of the Debentures within equity. The Debentures are discounted at an effective market rate of interest which approximates the interest rate on comparable Debentures without the holder conversion option, which results in a rate of interest that is higher than the coupon rate. The difference between the face value of the Debentures, and the present value of the Debentures discounted at the effective market rate, is the value assigned to the holder conversion option. Under U.S. GAAP there is no separate valuation of the holder conversion option, therefore, interest expense would be based on the coupon rate. Due to the difference in interest rates, interest expense under Canadian GAAP which has been charged to the deficit is \$0.4 million, as compared to \$0.3 million under U.S. GAAP which would be charged to the Statement of Operations under U.S. GAAP.

(j) Extraordinary item

Under U.S. GAAP, the loss on the redemption of certain Clearnet Communications Inc. 2005 Senior Discount Notes, which is included in interest expense for Canadian GAAP purposes, would have been treated as an extraordinary item.

(k) Restatement of Prior Year Periods

During the first quarter of 2000, the Company applied the provisions of the new Canadian accounting standard for income taxes retroactively. Under the new standard, which is substantially consistent with the U.S. accounting standard "Statement of Financial Accounting Standards No. 109 *Income Taxes*", the Company accounts for future income tax assets or future income tax liabilities at the tax rates that are expected to apply when the asset or liability is settled. As encouraged under the new rules, prior year financial statements have been restated. The effect of this change on the balance sheet as at June 30, 1999 is to increase intangible and other assets and reduce the deficit by \$102.2 million. The change increases net loss and net loss per share for the six months ended June 30, 1999 by \$1.6 million and \$0.03, respectively.

(l) Comprehensive Income

SFAS 130, "Reporting Comprehensive Income", requires that a statement of comprehensive income be displayed with the same prominence as other financial statements. Comprehensive income, which incorporates net income, includes all changes in equity during a period except those resulting from investments by and distributions to owners. There is no requirement to disclose comprehensive income under Canadian GAAP.

There are no material differences between Canadian and U.S. GAAP which would have an impact on the consolidated statements of comprehensive income except as outlined in the tables above.

SCHEDULE III

TELUS CORPORATION

**U.S. GAAP RECONCILIATION OF
TELUS INTERIM FINANCIAL STATEMENTS**

**United States Generally Accepted Accounting Principles
Reconciliation of TELUS Interim Financial Information**

The unaudited interim consolidated financial statements of the Company for the three months ended March 31, 2000 and the six months ended June 30, 2000, incorporated by reference in this circular, have been prepared by management in accordance with generally accepted accounting principles (“GAAP”) in Canada. The material differences between Canadian GAAP and U.S. GAAP are fully described in note 21 of the Company’s audited consolidated financial statements contained in Schedule I to this Circular, except for the difference arising from accounting for future employee benefits which is described in note (a) below.

The following table reconciles net income, as reported in the Company’s unaudited interim consolidated financial statements, to net income that would have been reported under U.S. GAAP:

	<u>Six Months Ended June 30</u>		<u>Three Months Ended March 31</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	(unaudited)		(unaudited)	
	(millions)			
	(except per share amounts)			
Net income (loss) in accordance with Canadian GAAP	\$327.4	\$ 4.7	\$162.4	\$(129.6)
Adjustments, net of tax:				
Net income of TELUS prior to acquisition	—	(15.3)	—	(15.3)
TELUS portion of the restructuring charge	—	144.6	—	144.6
Decrease in depreciation expense	9.7	8.0	4.8	3.2
Decrease in interest expense	16.0	6.5	8.0	2.6
Increase in future employee benefits (a)	(4.6)	—	(2.3)	—
Amortization of intangible assets	(32.3)	(26.9)	(16.1)	(10.8)
Goodwill amortization	(10.1)	(5.3)	(5.0)	(2.1)
Change in accounting policy	—	(30.8)	—	(30.8)
Asset impairment difference	20.0	20.0	10.0	10.0
Net income (loss) in accordance with U.S. GAAP	<u>\$326.1</u>	<u>\$105.5</u>	<u>\$161.8</u>	<u>\$ (28.2)</u>
Earnings (loss) per share under U.S. GAAP (basic and diluted):				
Before extra-ordinary items	\$ 1.37	\$ 0.44	\$ 0.68	\$ (0.12)
Extra-ordinary items	—	—	—	—
After extra-ordinary items	<u>\$ 1.37</u>	<u>\$ 0.44</u>	<u>\$ 0.68</u>	<u>\$ (0.12)</u>

The following table restates the major balance sheet categories to reflect the application of U.S. GAAP:

	Six Months Ended June 30		Three Months Ended March 31	
	2000	1999	2000	1999
	(unaudited)		(unaudited)	
	(millions)			
Current assets	\$ 1,349.1	\$ 1,113.5	\$ 1,353.4	\$ 1,122.0
Property, plant & equipment	5,854.0	5,245.3	5,390.2	5,192.6
Goodwill	843.4	408.6	404.7	410.7
Intangible assets	3,863.9	3,983.5	3,893.8	4,013.4
Deferred income tax assets	497.0	808.0	554.3	834.5
Other assets	373.4	419.3	353.2	392.5
	<u>\$12,780.8</u>	<u>\$11,978.2</u>	<u>\$11,949.6</u>	<u>\$11,965.7</u>
Current liabilities	\$ 2,254.0	\$ 2,016.8	\$ 1,813.5	\$ 1,916.3
Long-term debt	1,806.7	1,606.9	1,571.4	1,725.8
Other long-term liabilities	153.2	152.0	138.0	159.5
Deferred income tax liabilities	1,777.5	1,832.4	1,791.2	1,846.2
Non-controlling interest	83.4	10.4	13.4	9.4
Shareholders' equity	6,706.0	6,359.7	6,622.1	6,308.5
	<u>\$12,780.8</u>	<u>\$11,978.2</u>	<u>\$11,949.6</u>	<u>\$11,965.7</u>

The following table reconciles shareholders' equity for the differences between Canadian and U.S. GAAP:

	Six Months Ended June 30		Three Months Ended March 31	
	2000	1999	2000	1999
	(unaudited)		(unaudited)	
	(millions)			
Shareholders' Equity under Canadian GAAP	\$4,476.8	\$4,127.9	\$4,392.1	\$4,076.1
Adjustments:				
Purchase versus Pooling Accounting	2,361.4	2,404.0	2,372.2	2,414.6
Asset Impairment	(132.2)	(172.2)	(142.2)	(182.2)
Shareholders' Equity under U.S. GAAP	<u>\$6,706.0</u>	<u>\$6,359.7</u>	<u>\$6,622.1</u>	<u>\$6,308.5</u>

The following is a restatement of the statement of cash flows to reflect the application of U.S. GAAP:

	Six Months Ended June 30		Three Months Ended June 30	
	2000	1999	2000	1999
	(unaudited)		(unaudited)	
	(millions)			
Operating Activities				
Net income (loss)	\$ 326.1	\$ 105.5	\$ 161.8	\$ (28.2)
Depreciation and amortization	567.4	490.4	280.3	219.1
Deferred income taxes	141.3	108.6	73.0	61.9
Non-cash restructuring related write-offs	—	7.2	—	7.4
Sinking fund earnings	(4.1)	(5.1)	(2.9)	(2.0)
Other, net	(48.0)	5.9	(29.7)	21.4
Operating cash flow	982.7	712.5	482.5	279.6
Provision for future cash restructuring costs	—	147.8	—	147.8
Changes in working capital	(221.4)	(168.1)	(93.7)	(73.5)
Cash from operations	761.3	692.2	388.8	353.9
Less — dividends to shareholders	(167.6)	(167.4)	(83.8)	(83.9)
	<u>593.7</u>	<u>524.8</u>	<u>305.0</u>	<u>270.0</u>
Investing Activities				
Purchase of TELUS	—	(110.7)	—	(110.7)
Purchase of QuebecTel	(593.7)	—	—	—
Capital expenditures, net	(499.2)	(477.4)	(184.0)	(182.8)
Other	(11.2)	16.9	(13.3)	(6.8)
	<u>(1,104.1)</u>	<u>(571.2)</u>	<u>(197.3)</u>	<u>(300.3)</u>
Financing Activities				
Common shares issued	9.7	1.9	5.9	1.1
Sinking fund withdrawal	109.5	—	—	—
Long-term debt issued	211.2	14.0	5.2	12.7
Increase (decrease) in short-term notes payable	595.6	2.1	73.1	(106.9)
Redemptions of long-term debt	(279.1)	(122.0)	(5.2)	(17.2)
Other	(2.8)	1.1	(3.2)	—
	<u>644.1</u>	<u>(102.9)</u>	<u>75.8</u>	<u>(110.3)</u>
Increase (decrease) in cash	133.7	(149.3)	183.5	(140.6)
Cash and temporary investments (bank indebtedness), beginning of year	(32.3)	125.9	(32.3)	125.9
Cash and temporary investments (bank indebtedness), end of year	<u>\$ 101.4</u>	<u>\$ (23.4)</u>	<u>\$ 151.2</u>	<u>\$ (14.7)</u>

(a) Future Employee Benefits

Under U.S. GAAP, TELUS future employee benefit assets and obligations have been recorded at their fair values on acquisition. Accounting for Future Employee Benefits under Canadian GAAP changed to become more consistent with U.S. GAAP effective January 1, 2000. Canadian GAAP provides that the transitional balances can be accounted for prospectively. Therefore, to conform to U.S. GAAP, the amortization of the transitional amount needs to be removed from the future employee benefit expense.

ANNEX A
ADDITIONAL INFORMATION

ADDITIONAL INFORMATION REQUIRED FOR TENDER OFFER STATEMENT

A. Financial Information with Respect to TELUS

	<u>June 30, 2000</u>	<u>December 31, 1999</u>	<u>December 31, 1998</u>
1. Ratio of Earnings to Fixed Charges	6.16	5.08	(0.54)
2. Book value per share (Provided as June 30, 2000 only)	<u>\$18.59</u>	N/A	N/A

B. Pro Forma Information with Respect to TELUS and Clearnet

	<u>June 30, 2000</u>	<u>December 31, 1999</u>
1. Ratio of Earnings to Fixed Charges	1.75	1.50
2. Book value per share (Provided as at June 30, 2000 only)	<u>\$23.07</u>	N/A

DIRECTORS AND OFFICERS OF TELUS CORPORATION (“TELUS”)

Directors and Officers

The name, business address, present principal occupation or employment, five-year employment history and offices held with TELUS of the directors and officers of TELUS are as set out below. Each director and officer listed below is a citizen of Canada except Mr. Masin who is a citizen of the United States. Unless indicated below, the business address of each person is c/o TELUS Corporation, 21st Floor, 3777 Kingsway, Burnaby, British Columbia V5H 3Z7, Canada.

Directors (including executive officers who are directors)

Name and Principal Occupation

Darren Entwistle
President and Chief Executive Officer, TELUS

Brian A. Canfield
Chairman of TELUS

Ronald P. Triffo
Vice-Chairman of TELUS,
Chairman, Stantec Inc. (engineering company)
Suite 200, 10160 - 112 Street
Edmonton, AB T5K 2L6

R. John Butler
Counsel, Bryan & Company (law firm)
2600 Manulife Place
10180 - 101 Street
Edmonton, AB T5J 3Y2

Pierre Choquette
President and Chief Executive Officer, Methanex Corporation
1800 Waterfront Centre
200 Burrard Street
Vancouver, BC V6C 3M1

G. N. (Mel) Cooper
Chairman and Chief Executive Officer, Seacoast Communications Group Inc. (broadcasting company)
The Mellor Building
825 Broughton Street
Victoria, BC V8W 1E5

David L. Emerson
President and Chief Executive Officer, Canfor Corporation (integrated forest products company)
Suite 2900, 1055 Dunsmuir St.
P.O. Box 49420, Bentall Postal Stn.
Vancouver, BC V7X 1B6

Iain J. Harris
Chairman and Chief Executive Officer, Summit Holdings Ltd. (investment and holding company)
906 - 1111 West Hastings St.
Vancouver, B.C. V6E 2J3

John S. Lacey
Chairman, Loewen Group Inc.
4126 Norland Avenue
Burnaby, BC V5G 3S8

Richard J. LeLacheur
Chairman, Workers' Compensation Board, Alberta
President and Chief Executive Officer
Edmonton 2001 World Championships in Athletics
#201, 10044 - 108th Street
Edmonton, AB T5J 3S7

Michael T. Masin
President and Vice-Chairman, Verizon Communications Inc. (holding company of consolidated group of telecommunications companies)
1095 Avenue of the Americas
39th Floor, Room 3922
New York, N.Y.
USA 10036

Harold P. Milavsky
Chairman, Quantico Capital Corp. (investment company)
1920 Bankers Hall
855 - 2nd Street SW
Calgary, AB T2P 4J7

Walter B. O'Donoghue
Partner, Bennett Jones (law firm)
4500 Bankers Hall East
866 2nd St. S. W. Calgary, Alberta
T2P 4U7

Fares F. Salloum

President — International — the Americas, Verizon Communications Inc. (holding company of consolidated group of telecommunications companies)

5221 North O'Connor Blvd.

Irving, Texas 75039

Dr. Geraldine B. Sinclair

President and Chief Executive Officer, NCompass Labs Inc. (developer of Internet Software) and Executive Director, ExCITE Centre (multimedia research and development centre)

2nd Floor

321 Water Street

Vancouver, BC V6B 1B8

Donald Woodley

President, The Fifth Line Enterprise

RR 1

Orangeville, ON L9W 2Y8

All of the directors of TELUS have held the principal occupations set forth above or executive positions with the same companies or firms referred to, or with affiliates or predecessors thereof, for the past five years except as follows: Darren Entwistle has held various senior executive positions, most recently President, with Cable & Wireless plc from 1993 to mid 2000; Brian A. Canfield was President and Chief Executive Officer of TELUS from September 22, 1999 to June 30, 2000; David L. Emerson was President and Chief Executive Officer of the Vancouver International Airport Authority prior to January 1998; John S. Lacey was President and Chief Executive Officer of Oshawa Group Inc. from August 1998 to December 1998, the President and Chief Executive Officer of Western International Communications from November 1996 to July 1998 and President and Chief Executive Officer of Scotts Hospitality Inc. prior to October 1996; Richard J. LeLacheur was the President and Chief Executive Officer of Economic Development Edmonton prior to March 1998; Fares F. Salloum prior to July 1995 was Vice President, Emerging Services of TELUS Communication (B.C.) Inc. ("TC(BC)") and from July 1995 to July 1997 was Executive Vice President, Communication Services of BC TELECOM Inc. ("BC TELECOM") and TC(BC); and Donald P. Woodley was the President of Compaq Canada Inc. (computer technology company) prior to February 1997 and was President, Oracle Corporation Canada Inc. (software company) from February 1997 to September 1999.

Officers

Name and Position held with TELUS

Darren Entwistle

President and Chief Executive Officer

Barry A. Baptie

Executive Vice President, Finance and Chief Financial Officer

Roy A. Osing

Executive Vice President and President, TELUS Advanced Communications

Ian D. Mansfield

Executive Vice President and President, TELUS Communications

James W. Peters

Executive Vice President, Corporate Development and Corporate Affairs and General Counsel

Judy Shuttleworth

Executive Vice President, Human Resources

John Maduri
Executive Vice President and President, TELUS Mobility
Floor 3-E
3030 - 2nd Avenue SE
Calgary AB T2A 5N7

Cynthia Lewis
Executive Vice President and President, TELUS Integrated Communications
10th Floor, 222 Bay Street
Toronto, ON M5K 1A1

Hugues St. Pierre
President and Chief Executive Officer, The QuébecTel Group Inc.
6, rue Jules-A. Brillant,
Rimouski, Québec G5L 7E4

Robert J. Dardi
Vice President and Corporate Secretary

All of the officers above have been engaged for the past five years in the specified present principal occupations or in other executive capacities with BC TELECOM or TELUS, their subsidiaries, affiliates or predecessors thereof, except as described above and as follows: Hugues St. Pierre has been the President and Chief Executive Officer of The QuébecTel Group for the past five years; John Maduri was an Executive Vice President of Maxxcom Inc. and MDC Corporation from 1999 to early 2000 and from 1996 to 1999 was Executive Vice President, Finance and Planning and Chief Financial Officer of Rogers Cantel Mobile Communications Inc. (“Rogers”) and was Vice President, Finance and Chief Financial Officer of Rogers from 1994 to 1996; Cynthia Lewis was the Vice President and General Manager of Xerox Canada Limited from January 1995 to December 1998 and was Vice President and General Manager of Xerox Corporation from January 1999 to August 1999.

DIRECTORS AND OFFICERS OF 612459 B.C. LTD. (“Acquisition Co.”)

Directors and Officers

The name, business address, present principal occupation or employment, five-year employment history and offices held with Acquisition Co. of the directors and officers of Acquisition Co. are as set out above. Each director and officer listed below is a citizen of Canada. The business address of each person is c/o TELUS Corporation, 21st Floor, 3777 Kingsway, Burnaby, British Columbia V5H 3Z7, Canada.

Directors (including executive officers who are directors)

Name and Principal Occupation

Darren Entwistle
President and Chief Executive Officer, TELUS

Barry A. Baptie
Executive Vice President, Finance and
Chief Financial Officer, TELUS

James W. Peters
Executive Vice President, Corporate Development and
Corporate Affairs and General Counsel, TELUS

Robert J. Dardi
Vice President and Corporate Secretary, TELUS

Officers

Name and Position held with Acquisition Co.

Darren Entwistle
President and Chief Executive Officer

Barry A. Baptie
Executive Vice President, Finance and Chief Financial Officer

Robert J. Dardi
Vice President and Corporate Secretary

The Depository for the Offers is:

MONTREAL TRUST COMPANY OF CANADA

By Mail

Montreal Trust Company of Canada
Reorganization Department
Suite 600, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8
Telephone: (403) 267-6555
Facsimile: (403) 266-1490

By Mail, Hand or Facsimile Transmission

<i>Vancouver</i>	<i>Calgary</i>	<i>Toronto</i>	<i>Montreal</i>
Reorganization Department 510 Burrard Street 2nd Floor Vancouver, British Columbia V6C 3B9 Telephone: (604) 661-0222 Facsimile: (604) 661-9480	Reorganization Department 530 - 8th Avenue S.W. Suite 600 Calgary, Alberta T2P 3S8 Telephone: (403) 267-6555 Toll Free (In Canada and the United States): 1-800-558-0046 Facsimile: (403) 266-1490	Reorganization Department 100 University Avenue 9th Floor Toronto, Ontario M5J 2Y1 Telephone: (416) 981-9633 Facsimile: (416) 981-9663	Reorganization Department 1800 McGill College Avenue 6th Floor Montréal, Québec H3A 3K9 Telephone: (514) 982-7555 Facsimile: (514) 982-7347

Offices of the U.S. Forwarding Agent:

COMPUTERSHARE INVESTOR SERVICES, LLC

By Hand or By Courier

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Telephone: (212) 701-7624
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The Dealer Managers for the Offers are:

In Canada:

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8th Floor, P.O. Box 1
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J. P. Morgan Securities Canada Inc.
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South Tower, Suite 1800
Toronto, Ontario
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In the United States:

J.P. Morgan Securities Inc.
60 Wall Street
New York, New York
10260

TD Securities (U.S.A.) Inc.
31 West 52nd Street
New York, New York
10019

The Information Agent is:

Georgeson Shareholder Communications Inc.
17 State Street
10th Floor
New York, New York
10004
Bankers and Brokers Call Collect: (212) 440-9800
All Others Call Toll Free: 1-800-223-2064

Any questions and requests for assistance may be directed by holders of Clearnet Shares to the Dealer Managers, the Information Agent or the Depository at their respective telephone numbers and/or locations set out above.