

## **MASON CAPITAL MAKES PUBLIC STATEMENT TO TELUS SHAREHOLDERS**

### **Highlights Numerous Flaws of TELUS' Share Reorganization**

NEW YORK – (April 23, 2012) - Mason Capital Management LLC (“Mason”) issued today a public statement to the shareholders of TELUS Corporation (TSX:T; TSX:T.A; NYSE: TU) setting out Mason’s intention to vote against TELUS’ announced proposal to convert all of its non-voting shares into voting shares on a one-to-one basis and explaining the reasons for that decision.

Michael E. Martino, Managing Director of Mason Capital, said “TELUS’ proposed collapse of its dual-class share structure without any premium for the voting shares ignores the distinctive value of the voting class, namely the right to vote for directors and thereby determine the entire management and direction of TELUS. Owners of the voting shares recognize the value of these rights and have paid a meaningful premium for these shares, averaging close to 5% over the past three years prior to the Proposal’s announcement. As proposed, the transaction will seriously compromise the interests of the voting class and confer a windfall benefit on the non-voting class. In the circumstances, we intend to vote against the proposal and we wish to make our views public for the benefit of all shareholders of TELUS.”

Mason Capital is a New York based investment fund with offices in New York, London and San Francisco and has been in business since 2000. Mason Capital has a long history of investing in Canada. It is the largest shareholder and is represented on the board of directors of ATS Automation Tooling Systems, a TSX-listed company.

The text of the public statement to TELUS shareholders is as follows:

Dear Fellow TELUS Shareholders:

We are a significant shareholder of TELUS. Although TELUS has historically been a well-managed company, we have serious concerns regarding its recent proposal to convert all of its non-voting shares into voting shares on a one-for-one basis, and we intend to vote against it.

While we understand the basis for TELUS’ desire to eliminate the dual class structure, the legitimacy of that objective does not justify any means to get there. Any such proposal must be pursued in a manner which is fair to both the voting and non-voting classes.

Buyers of voting shares have consistently paid a premium over a long period of time for their right to elect directors and to make other important decisions affecting the company. It is not fair to holders of the voting shares to take away this value without fair compensation.

In advancing the one-for-one proposal, TELUS' board has not properly considered the interests of the holders of voting shares. The process the board has followed up to now has serious flaws and reflects a systematic bias against the voting class.

In addition, moving to a simple one-class structure has real disadvantages under Canada's foreign ownership rules. Such a structure will result in a dramatic reduction of permitted foreign ownership of TELUS' total equity from 64% to 33%. Among other consequences, we believe this will hurt the liquidity of TELUS' stock.

We have set out below in greater detail the reasons we intend to vote against this proposal (the "Proposal"):

**A one-to-one conversion ratio does not reflect the superior value of the Voting Shares**

- Buyers of common shares (the "Voting Shares") have consistently paid a premium over a long period of time. The premium has averaged 4% to 5% over any relevant time period in the five years before the Proposal was announced, and has been as high as 10%.
- Voting Shares have more value because they have more rights – the right to vote, to control the board, to control the Company and to convert into non-voting shares of TELUS ("Non-voting Shares").
- The superior value of voting or multiple voting shares in dual class structures has been recognized in numerous other transactions where holders of such shares received a premium on the elimination of the dual-class structure.
- As the voting class controls the potential sale of TELUS, the Voting Shares should also be entitled to a control premium. In an acquisition by way of plan of arrangement, such a premium may be paid to the voting class despite the existence of coattail provisions, as recently illustrated in the proposed acquisition by BCE Inc. of Astral Media Inc.
- A one-for-one conversion ratio takes this value away from holders of Voting Shares and confers a windfall benefit on holders of Non-voting Shares.
- This transfer of value was recognized by the market when the transaction was announced as the long-standing spread between the price of Voting Shares and Non-voting Shares immediately collapsed.
- The historical trading spread should be the starting point in setting a fair premium for the Voting Shares as compensation for permanently diluting their voting rights.

**The proposed structure will dramatically reduce the permitted level of foreign ownership, thereby hurting the liquidity of TELUS stock.**

- Non-Canadian shareholders can currently invest in the Non-voting Shares without restriction and can own up to 33% of the Voting Shares. Moving to a single voting class will reduce the level of permitted foreign ownership of TELUS' total equity from 64% to 33%, equal to about 100 million shares.

- This reduction will have an immediate adverse effect on liquidity. As soon as the proposed conversion to a single class takes effect, non-Canadian index funds will be forced to sell 2.8 million TELUS shares, according to a research report by Scotiabank (TELUS' financial advisor) published two days after management announced the Proposal.
- Moving to a single class of voting shares will require all foreign shareholders, and not just holders of the Voting Shares, to comply with cumbersome compliance and transfer procedures, further dampening liquidity.
- This reduction in permitted foreign investment is entirely inconsistent with recent public statements by TELUS that it is in favour of increased levels of permitted foreign ownership.
- Inexplicably, the Company has made no mention of this reduction in permitted foreign ownership or the adverse impact on liquidity in its public disclosure.

**The Proposal may have an immediate and significant adverse impact on non-Canadian shareholders.**

- If the Company determines that permitted foreign ownership levels have been exceeded, it will be required to take action. Such action could include, among other things, suspending voting rights and forcing the sale of shares by non-Canadian shareholders in order to implement the Proposal.
- TELUS has not provided any update to the foreign ownership concerns it identified in its March 22, 2012 press release. The Management Circular does not include any disclosure on current foreign ownership levels of the Voting Shares and the Non-voting Shares, nor does it provide any guidance on what steps TELUS would take in the context of the Proposal if it determines that foreign ownership levels have been exceeded.
- Even if foreign ownership levels are not currently exceeded, there may be very little room available post-transaction for any additional non-Canadian investment in TELUS. As well, under the Proposal, there will be a significantly increased risk of foreign ownership problems of the type identified in the March 22 press release arising in the future.

**The process adopted by TELUS' board failed to ensure that the interests of holders of Voting Shares were fully and independently considered.**

- The mandate of the special committee did not require it to determine whether the transaction was fair to the holders of the Voting Shares.
- Based on the Management Circular, the special committee failed to give any consideration to the historical trading premium of the Voting Shares and the fact that the Voting Shares carry additional valuable rights.
- The special committee retained the same investment bankers and legal counsel regularly used by the Company, when completely independent advisors could have been retained.

- The Proposal disproportionately benefits TELUS' management and directors who predominately own or are compensated in Non-Voting Shares (including DSUs and RSUs).
- The special committee failed to obtain an independent fairness opinion with respect to the impact of the proposal on the Voting Shares, despite the fact that the Voting Shares and Non-voting Shares have diametrically opposing interests and that, on its face, the Proposal would have an adverse effect on the holders of the Voting Shares relative to the holders of the Non-voting Shares.

**Granting dissent rights to holders of Non-voting Shares rather than to holders of Voting Shares is manifestly unfair and reflects a systematic disregard for the interests of the holders of Voting Shares.**

- Only the holders of the Voting Shares are disadvantaged by the Proposal, and are therefore the only class of shares that should be entitled to dissent rights.

**The reasons advanced by Management for the Proposal are without foundation.**

*Management claims that the Non-voting Shares are similar to the Voting Shares in many ways and that the historical market premium is due to misperception by investors and market inefficiency.*

- The market does not lie. It has consistently recognized the differences in rights between the two classes by attaching a premium to the Voting Shares over a long period of time. Management thus has no basis for pretending the investment decisions of buyers of the Voting Shares were mistaken. Despite extensive efforts by management to “talk down” the premium, the market continued to sustain the premium until the Proposal was announced.

*Management claims that the Proposal benefits both classes because the market price of Voting Shares and Non-voting Shares increased on the announcement of the transaction.*

- While the trading price of the Voting Shares increased slightly on the day of the announcement (2.3%), this was almost certainly attributable to other factors, including:
  - the company announced a dividend increase at the same time as it announced the conversion proposal.
  - the stock prices of comparable companies, BCE and Rogers Communications, also rose on that day.
  - Mason’s purchases of Voting Shares made up almost half the trading volume on that day.
  - the plan’s negative impact on future liquidity was not understood by investors.
- Regardless of the reasons for the increase in the price of the Voting Shares, the price of the Non-voting Shares increased by significantly more (5.5%), which reflects a significant anticipated transfer of value between the two classes.

*Management claims that a premium is not justified because the dual class structure was originally set up only to deal with foreign ownership restrictions.*

- Regardless of the reasons for the dual-class structure, buyers of TELUS stock must take the characteristics of each class as a given in making their investment decisions. Buyers of the Voting Shares have consistently paid a premium over a long period of time for the superior rights attached to those shares.

*Management claims that the two classes of shares have been treated the same by extending them votes on issues such as the Company's shareholder rights plan.*

- The Non-voting Shares do not have and never have been granted the right to vote for directors and thereby control the Company. TELUS has only provided holders of the Non-Voting Shares with the opportunity to vote on certain limited matters where they were required to do so by law or stock exchange requirements because the matter directly affected the rights and interests of the non-voting class.

*Management Claims that the transaction will enhance the liquidity and marketability of TELUS shares*

- The opposite is the case. As a result of the transaction, non-Canadians will be able to purchase only 108 million shares instead of 208 million shares. Furthermore, liquidity is not currently a concern for TELUS as its average share trading is comparable to BCE Inc., a much larger company.

We would favourably consider a revised proposal that pays an appropriate premium for the voting shares and is structured, to the extent practical, to avoid adverse effects on liquidity. But should a fairer offer not be forthcoming, for the reasons set out above, we intend to vote against this proposal.

Sincerely,

Mason Capital Management LLC

Michael E. Martino  
Principal and Co-Founder

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