2014 MANAGEMENT INFORMATION CIRCULAR

MANITOBA TELECOM SERVICES INC.

MOVING FORWARD STRONGER

MTS allstream

SUMMARY OF 2014 CIRCULAR

This summary highlights information found in this year's Circular. This summary does not contain all information you may need in order to make an informed decision as to how to vote. Please ensure you read the entire Circular carefully before voting.

ANNUAL MEETING OF SHAREHOLDERS

Tuesday, May 13, 2014 at 11:00 a.m. C.T.

The Metropolitan Entertainment Centre (The Met)
281 Donald Street, Winnipeg, MB

RECORD DATE

March 24, 2014

VOTING ELIGIBILITY

See page 3 for information regarding voting eligibility

RECOMMENDATION FROM BOARD	INFORMATION ON PAGE
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FOR Ernst & Young LLP	7
FOR supporting the current executive compensation practices	7

DIRECTOR NOMINEES

The following table is a quick overview of the proposed Director nominees for the Board, including one new Director – Judi Hand. There is significantly more detail in the Circular. We spend a great deal of time planning to ensure that our Board has the right mix of skills and experiences to be effective in their roles, and this year we significantly enhanced our "gap analysis" as we conducted a Director search process.

					Committees			
Name	**Director Since**	**Occupation**	**Expertise**	**Independent**	**Human Resources**	**Audit**	**Governance & Nominating**	**Strategic Committee**
Pierre J. Blouin	2006	CEO	Telecommunications/Converged Technology Consumer Marketing/Insights Consumer Facing					
Jocelyne M. Côté-O'Hara	1997	Corporate Director	Telecommunications/Converged Technology Strategic Planning Regulatory/Law/Government/Risk Management	■	■		■	
N. Ashleigh Everett	1997	Executive at Royal Canadian Securities	Strategic Planning Human Resources/Compensation Consumer Facing	■	■		C	
The Honourable Gary A. Filmon	2003	Corporate Director	Regulatory/Law/Government/Risk Management Human Resources/Compensation Strategic Planning	■	C		■	
Judi Hand	2014	President & General Manager Revana	Consumer Marketing/Insights Telecommunications/Converged Technology Strategic Planning	■				
Gregory J. Hanson	2007	Corporate Director	Financial Expert Strategic Planning Human Resources/Compensation	■		■		
Kishore Kapoor	2006	Corporate Director	Financial Expert Strategic Planning	■		C		C
David G. Leith	2009	Corporate Director	Financial Expert Regulatory/Law/Government/Risk Management Strategic Planning	■	Ex	Ex	Ex	■
H. Sanford Riley	2011	Executive at Richardson Financial	Strategic Planning Regulatory/Law/Government/Risk Management Consumer Facing	■		■		■
D. Samuel Schellenberg	1989	Corporate Director	Human Resources/Compensation Strategic Planning Regulatory/Law/Government/Risk Management	■		■		
Carol M. Stephenson	2008	Corporate Director	Telecommunications/Converged Technology Human Resources/Compensation Regulatory/Law/Government/Risk Management	■	■		■	

Ex – Ex Officio Member of Committee
C – Committee Chair

SUMMARY OF 2014 CIRCULAR

AUDITOR

This year, the Audit Committee conducted an RFP process for its external auditor. At the end of this process, Ernst & Young LLP was selected to serve as the Company's auditors. There had been no disagreements or disputes with the prior auditor, Deloitte LLP, who had been the Company's auditor for some time. To ensure Ernst & Young LLP remains independent, we have stringent internal governance policies to restrict the services they can provide to the Company outside of their audit services.

EXECUTIVE COMPENSATION ADVISORY VOTE

We have adopted the model "say on pay" advisory vote as recommended by the Canadian Coalition for Good Governance. This is the third year we are holding this vote. Last year, approximately 95% of our shareholders voted in support.

The Board recommends a FOR vote because it believes that our compensation policies and practices are effective. A common theme in the Circular is the outlining of how "pay" received by our executives is directly linked to the Company's "performance", and we presented our compensation philosophy and methodology in a clear and transparent manner. For this reason, we feel confident our shareholders will express their support with our practices.

PAY FOR PERFORMANCE

The following table will help you understand our "pay for performance" compensation philosophy at work. In 2011 and 2012, the Company performed reasonably close to expecations, and each NEO's "at risk" compensation was realized at a level closer to target. In contrast, in 2013 the Company was signficiantly disrupted by a long process to sell the Allstream division, that was subsequently unexpectedly rejected by the Federal Government. In 2013, both financial results were below expectations and the share price did not perform as strongly and as a result 18.4% of total direct compensation was not or will not be realized.

The following table shows some elements of our executive's total direct compensation, as well as the linkages between the percentage of "total compensation realized" and the in-year Total Shareholder Return.

Name and Principal Position	Year	Elements of Total Direct Compensation						Percentage of Total Target Direct Compensation "At Risk"	Percentage of Total Target Direct Compensation Realized	In-Year Total Shareholder Return
		Base Salary	PSUs	RSUs	Stock Options	Bonus / VPP	Total Direct Compensation			
		($)	($)	($)	($)	($)	($)	(%)	(%)	(%)
Pierre J. Blouin Chief Executive Officer	2013	850,000	1,338,762	892,530[1]	0	667,951	3,749,243	80	80	-3.6
	2012	850,000	892,521	669,399	669,382	881,739	3,963,041	78	87	15.1
	2011	824,000	937,809	625,217	0	877,251	3,264,277	73	113	9.9
Wayne S. Demkey Chief Financial Officer	2013	464,500	261,294	319,374	0	228,061	1,273,229	65	85	-3.6
	2012	446,600	195,390	307,064	55,836	305,207	1,310,097	65	97	15.1
	2011	425,300	198,473	311,851	56,700	310,988	1,303,312	66	102	9.9
Kelvin A. Shepherd President MTS	2013	503,700	339,999	415,569	0	291,587	1,550,855	68	85	-3.6
	2012	498,700	261,825	411,457	74,810	315,889	1,562,681	68	93	15.1
	2011	484,100	254,173	399,388	72,625	381,091	1,591,377	68	102	9.9
Dean L. Prevost President Allstream	2013	487,800	329,294	402,441	0	142,999	1,362,534	68	76	-3.6
	2012	475,900	249,852	392,624	71,390	320,472	1,510,238	68	94	15.1
	2011	453,200	237,945	373,918	67,991	333,524	1,466,578	68	100	9.9
Paul A. Beauregard Chief Corporate & Strategy Officer & Corporate Secretary	2013	348,384	156,801	191,652	0	142,543	839,380	60	86	-3.6
	2012	303,200	106,141	166,783	30,330	172,672	779,126	60	97	15.1
	2011	288,750	83,798	127,882	8,931	159,501	668,862	55	104	9.9

[1] Excludes grant of RSUs in lieu of pension benefits, which is not considered direct compensation.

See page 45 of the Circular for methodology, which contains important assumptions, and also the Summary Compensation Table on page 72 of the Circular for a description of other elements of compensation not included in the above table.

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LETTER FROM THE BOARD OF DIRECTORS

Fellow Shareholders,

In 2013 we demonstrated the resiliency of our business, our commitment to delivering value to our shareholders and customers, and an ability to manage through a changing and challenging regulatory and business environment. The Company enters 2014 ready to move forward stronger, thanks to the dedication, talent and resilience of our entire team.

MOVING FORWARD STRONGER

MTS once again delivered solid results, and extended its position as the leading telecom services provider in Manitoba with significant new investments in rural wireless and broadband access, announcement of the construction of a world-class commercial data centre and the acquisition of one of Manitoba's leading IT providers to bolster our capabilities for things like cloud services, server colocation, and managed hosting. We were pleased to acquire a prime block of wireless spectrum in the Federal Government's recent 700MHz spectrum auction at an attractive price, which we expect to use to offer next generation products and services to our customers.

We were all surprised and disappointed by the Federal Government's decision to reject our proposed transaction to sell Allstream. But with that decision made, we were able to quickly recover from the inevitable distraction of that process to regain momentum in the business. We also took steps to significantly reduce the cost structure at Allstream, and we are launching exciting new products that we expect will enable Allstream to be successful in the Canadian business telecommunications market. Early in 2014, Allstream's President, Dean Prevost announced his intention to retire after 16 years with the Company. On behalf of the Board, we would like to thank him for his service.

In addition, we completed an equity offering late in the year to strengthen our balance sheet and provide us with greater financial flexibility, which also allowed us to successfully navigate through the disappointing Supreme Court of Canada ruling in respect of how MTS' pension plan was created in 1996, when MTS was privatized. Despite the challenges of the year, we maintained our investment grade credit rating, and continued to generate attractive cash flows that supported our dividend. The foundations of our business remain strong.

A MORE LEAN & FOCUSED MANAGEMENT TEAM

As part of the effort to position the Company for the future, the Board and management have taken steps to create a more focused, streamlined and agile management team. We have reduced the size of our senior management group, while also providing opportunities for experienced leaders within the company to progress. This new structure reflects the evolution of the Company and its future direction, and has had the additional benefit of reducing executive compensation costs by more than 35% on a year-over-year basis.

BOARD INITIATIVES

The Board also took a number of steps this year to strengthen our governance processes and ensure that we are providing active and expert oversight and direction. Of particular note, the Audit Committee is recommending the appointment of Ernst & Young LLP as the company's auditors for 2014, after a competitive, Board-led Request-For-Proposal ("RFP") process. This is a change from our previous auditors, Deloitte LLP, with whom the Company has worked productively for many years. While there had been no disputes or disagreements giving rise to this process, the Board's view is that a periodic change in auditors makes sense, and reflects the interests of our shareholders.

The Human Resources and Compensation Committee undertook a similar process which resulted in the engagement of Hugessen Consulting as the Board's independent compensation consultant to ensure it was receiving the best and most effective independent representation. Hugessen has advised on the most recent compensation decisions, and work is now underway to start a comprehensive re-benchmarking process to be completed in time for next year's compensation review.

Looking ahead, and in anticipation of some upcoming mandatory retirements at our future meetings, we also took steps in respect of Board renewal. The Governance and Nominating Committee retained Russell Reynolds to conduct an external search process for potential new Directors, based on the Company's existing analysis of needs and capabilities, including diversity considerations. From this process, I am pleased that Judi Hand will stand for election to our Board. Ms. Hand comes to us with a wealth of experience in sales, service and marketing within telecom markets at all levels, and we are confident she will be a high-contributing member of our Board for years to come.

Finally, through 2013 our Strategic Committee was very active, meeting 17 times. We would like to thank them for all of their dedication and hard work.

PAY FOR PERFORMANCE

We know our shareholders have choices in respect of their investment decisions, and we are grateful for their confidence in the Company.

This year, while our attractive dividend was supported by strong cash flows, our share price was materially affected by the rejection of the Allstream sale. In addition, operating results at Allstream were negatively impacted by this sale process. As a result, and notwithstanding their strong leadership through a very challenging year, our executives only realized approximately 80% of their target total direct compensation. We provide considerable detail in our Circular regarding the linkages between pay and performance in determining executive compensation. We believe we have created appropriate compensation regimes that align management's interests with those of our shareholders.

Finally, I am pleased to report that this is the second year in a row that you will have received this Circular electronically. We are proud to be among the pioneers in Canada using digital solutions to manage our corporate affairs, and the result is lower costs while also saving some 500 trees and 17 million litres of fresh water.

On behalf of the Board of Directors I thank you for your investment in and support for our Company.

David G. Leith
Chair
March 24, 2014

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Fellow Shareholders:

We will be holding our annual general meeting (the “Meeting”) of the shareholders of Manitoba Telecom Services Inc. (the “Company”):

DATE: **May 13, 2014**

TIME: **11:00 a.m. (Central Time)**

PLACE: **The Metropolitan Entertainment Centre (The Met)**
281 Donald Street, Winnipeg, MB

The Meeting will cover the following items:

1. Receiving of the consolidated financial statements for the year ended December 31, 2013 and the auditor’s report;

2. Election of the Board of Directors who will serve until the next annual general meeting;

3. Appointment of the auditor of the Company who will serve until the next annual general meeting and authorizing the Directors to fix the auditor’s remuneration;

4. An advisory vote on executive compensation; and

5. Considering any other business that may properly come before the Meeting.

You are entitled to notice of and to attend the Meeting, and vote on items 2, 3, 4 and (if applicable and properly before the Meeting) 5, if you were a shareholder of Common Shares of the Company on March 24, 2014. You may vote either by proxy or in person at the Meeting. The following pages will explain how to exercise your right to vote.

If you cannot attend the Meeting in person, please complete the form of proxy you received in the mail and return it in the postage prepaid envelope. If you cannot attend and you would like to vote, your proxy must be received by Computershare Investor Services Inc. by 11:00 a.m. (Central Time) on May 9, 2014.

BY ORDER OF THE BOARD OF DIRECTORS

Paul A. Beauregard
Chief Corporate and Strategy Officer & Corporate Secretary

Winnipeg, Manitoba
March 24, 2014

MANITOBA TELECOM SERVICES INC. MANAGEMENT INFORMATION CIRCULAR

This Management Information Circular ("Circular") is provided by management of Manitoba Telecom Services Inc. (the "Company", "MTS Allstream", "us" or "we") to our common shareholders ("you"). We are soliciting your proxy for use at our upcoming annual general meeting (the "Meeting" or "AGM") of the shareholders of the Company to be held on May 13, 2014 at 11:00 a.m. (Central Time).

The solicitation of proxies will be made primarily by mail, but proxies may also be solicited by our officers, Directors and employees or agents personally, in writing or by telephone. We bear the cost of any such solicitation.

The information provided in this Circular is given as at March 24, 2014, unless otherwise stated.

VOTING INFORMATION

Q Why did I receive this Circular?

A You received this Circular because you accessed it online or requested it as you are a shareholder of our common shares (the "**Common Shares**") and the management is required to provide this information to you so that you may know how to exercise your right to vote at the Meeting. This Circular provides a way for management to communicate with the shareholders on important issues.

Q Why must I now request the Circular or access it online?

A The law formerly required us to provide you with a physical copy of the Circular unless you requested otherwise. In November 2012, the law changed and now we are able to provide you with notice of the Meeting instead of a traditional full set of proxy materials, and direct you to a website to access electronic copies of the material ("Notice and Access"). You also have the option to request a full set of materials after receiving the notice package.

We are proud to be one of the first issuers in Canada using the new "Notice and Access" rules. Apart from the benefits of leveraging our own telecommunications expertise and reducing printing and mailing costs, we will save ~500 trees and over 17 million litres of fresh water each year.

Q Do I need to know anything else about Notice and Access?

A Notice and Access is used for all shareholders (registered and beneficial). We will pay to deliver the Circular to you should you request one.

Q What information is in this Circular?

A This Circular contains all the information we are required by law to provide you as well as other information we believe you should know in order for you to be in a position to make a well informed decision when you vote. Such information includes, but is not limited to, information about our Directors and their skills and experiences, how our Directors are compensated for their time and effort, information about Board and Committee meetings, our compensation philosophy, our performance and our named executive officers compensation. All references to dollars and compensation amount in this Circular are in Canadian dollars.

Q What issues will be covered at the Meeting?

A The issues to be covered at the Meeting include receiving the annual financial report, appointment of the Company's auditor, the election of Directors, an advisory "**say on pay**" resolution, and any other business properly brought before the Meeting.

Q What is an advisory "say on pay" resolution?

A Again, we are asking you to participate in a non-binding advisory vote on executive compensation. This will give you an opportunity to express your view on the Board's approach to setting executive compensation, which is described in greater detail in the executive compensation section of the Circular. If a significant number of shareholders oppose the resolution, the Board will review their approach to executive compensation taking into consideration any feedback they may obtain from shareholders.

Q Who can go to the Meeting and vote?

A Anyone who holds Common Shares as of March 24, 2014 (the "**Record Date**") can vote at the Meeting. If you become a shareholder after the Record Date, you may vote if you produce a properly endorsed share certificate or otherwise establish ownership of the Common Shares, and you request that your name be included in the list of shareholders entitled to vote at the Meeting at least ten days prior to the Meeting.

Q How many votes do I get?

A You are entitled to one vote for each Common Share you own (directly or beneficially) as of the Record Date.

Q Are there any voting restrictions?

A There are ownership restrictions on the Common Shares in the Company's Articles of Incorporation ("**Articles**"), as well as under applicable law. These restrictions are: 1) limiting each person or company (except for the Crown in right of the province of Manitoba) from owning, directly or indirectly, more than 20% of the Common Shares; 2) limiting the number of non-residents of Canada that beneficially own Common Shares to no more than, in the aggregate, the maximum percentage of the total number of issued and outstanding Commons Shares permitted by applicable law from time to time; and 3) no government or government agency other than the Crown in the right of the province of Manitoba, is permitted to own any Common Shares, however, a person or corporation or any other entity established or maintained to invest funds under a pension plan or an insurance or annuity arrangement is excluded from this restriction.

If any of these limits or restrictions are contravened, we have the right to require the registered holder of the Common Shares to dispose of the Common Shares that are in excess of the limit or restriction within a prescribed period. If the excess Common Shares have not been disposed of within such prescribed period, then, during the period of contravention, no voting rights attached to the Common Shares may be exercised, and we or our nominee may purchase for cancellation from the shareholder, who will be required to sell, the number of Common Shares beneficially owned in contravention of any of the limits or restrictions described above. To the knowledge of our Directors and senior officers, as of March 24, 2014, no person or company beneficially owns (directly or indirectly), or exercises control or direction over more than 10% of the issued and outstanding Common Shares.

Q Am I a registered, non-registered or employee shareholder?

A You are a **registered shareholder** if you have a share certificate issued in your name. If this is the case, your name will appear on the register for the Common Shares maintained by Computershare.

You are a **non-registered shareholder** if an intermediary such as a securities broker or financial institution holds your Common Shares on your behalf.

You are an **employee shareholder** if you hold Common Shares through our Employee Share Ownership Plan.

Q How do I vote if I am a registered shareholder?

A As a registered shareholder, you may vote in person at the Meeting or by proxy.

Voting At the Meeting: You may vote in person at the Meeting, or give another person authority to vote at the Meeting on your behalf by appointing them as your proxy holder, which is further explained below under "Voting by Proxy".

Voting by Proxy: You may cast your vote by proxy through any one of the following four options:

i. **By mail or personal delivery:** You may vote by mailing or personally delivering a completed paper proxy, which form of proxy was provided to you. If you choose this method of voting, complete the enclosed form of proxy, sign and return in accordance with the instructions in the form of proxy.

ii. **By telephone:** You may vote by telephone by calling the toll-free number specified in the form of proxy. Using a touch-tone telephone, follow the instructions which will ask you to provide your control number that is specified in the form of proxy provided to you.

iii. **By Internet**: You may vote by Internet by accessing the website address specified in the form of proxy. Follow the online voting instructions which will ask you to provide your control number that is specified in the form of proxy provided to you.

iv. **By appointing a proxy holder to attend the Meeting in person:** You may appoint a proxy holder (either the proxy holder provided by us, or a proxy holder of your choice) to act on your behalf at the Meeting by notifying us. You may notify us by Internet proxy, or returning the form of proxy after indicating your elected proxy holder by checking one of the proxy holders provided by us, or inserting the name of your elected proxy holder in the blank space provided on the form of proxy.

Q Is there a deadline for my vote to be counted?

A If you are a registered shareholder, regardless of the method you select to vote, proxies must be received by the deadline which is May 9, 2014 at 11:00 a.m. (Central Time). If you are a non-registered shareholder or an employee shareholder, your intermediary, or Computershare, as the case may be, will provide you with your deadline for submitting your vote. We recommend that you vote early in order to ensure that your voice is heard.

Q How do I vote if I am a non-registered shareholder?

A As a non-registered shareholder, your intermediary is obliged to forward materials pertaining to the Meeting to you, unless you have instructed the intermediary otherwise. You must follow the directions of your intermediary with respect to the procedures to be followed for voting. An intermediary generally will provide either (i) a voting instruction form for you to complete and execute, or which will enable you to vote by alternate means such as by telephone or the Internet, or (ii) a form of proxy that is executed by the intermediary and restricted to the number of Common Shares you own, but otherwise uncompleted. These procedures permit you to direct the voting of your Common Shares.

As a non-registered shareholder, if you wish to attend and vote in person at the Meeting, you must insert your own name in the space provided for the appointment of a proxy holder in the proxy form or voting instruction form provided by your intermediary, and you must follow your intermediary's instructions for the return of the executed form.

Q How do I vote if I am an employee shareholder?

A As an employee shareholder, you are treated in the same manner as non-registered shareholders for the purpose of voting. Computershare will forward materials pertaining to the Meeting to you, unless you have instructed Computershare otherwise. You may vote by completing the voting instruction form for employees provided by Computershare, or by using the telephone or Internet voting as indicated in the voting instruction form. The method for voting by telephone or Internet will be the same as the method followed by a registered shareholder, which is described earlier. Computershare will vote your Common Shares in accordance with any instructions you provide. If you have not provided instructions, Computershare will vote the Common Shares in the manner specified below, under "how will my shares be voted?"

As an employee shareholder, if you wish to attend and vote in person at the Meeting, you must insert your own name in the space provided for the appointment of a proxy holder in the voting instruction form and you must follow Computershare's instructions for the return of the executed form.

Q If I vote by designating a proxy holder, how will my shares be voted?

A You may give voting directions to your appointed proxy holder by marking the appropriate boxes on the enclosed form of proxy or voting instruction form and the proxy holder will vote on the matters as indicated. Otherwise, you may allow your proxy holder to exercise his or her discretion at the Meeting. If you appoint a proxy holder designated by us in the enclosed form of proxy or voting instruction form as your proxy holder, and you do not specify a direction on a matter or any of the matters to be voted upon, the proxy holder will vote on the matters at their discretion.

Q What would happen if an amendment, variation or other matter was brought before the Meeting?

A The form of proxy you submit also confers discretionary authority upon the proxy holder with respect to amendments or variations of matters identified in the Notice of Annual General Meeting of Shareholders, or any other matter that may come before the Meeting or any adjournment. The Common Shares represented by the proxy will be voted on such matters, in the discretion of, and in accordance with the best judgment of, the proxy holder. As at the date of this Circular, we know of no matters to come before the Meeting other than the matters identified in the Notice of Annual General Meeting of Shareholders.

Q What if I want to change my designated proxy holder?

A In the case of registered shareholders and employee shareholders, you may change your appointed proxy holder by depositing another proxy with Computershare prior to the deadline of depositing proxies, as discussed earlier. In the case of non-registered shareholders, you must follow the directions of your intermediary with respect to the procedures to be followed for voting, as discussed previously.

Q What if I change my mind and decide to vote differently than I indicated on my proxy form?

A In the case of registered shareholders and employee shareholders, you may revoke a proxy by depositing another proxy with Computershare, which is signed by you and bearing a later date than your previous proxy. This method of changing your vote may be utilized up to the deadline of depositing proxies, as discussed above. Alternatively, you may revoke the proxy and vote in person by depositing a revocation of proxy with the Chair of the Meeting. In the case of non-registered shareholders, you must follow the directions of your intermediary with respect to the procedures to be followed for voting, as discussed earlier. Any votes that have been cast on your behalf prior to you revoking your proxy will remain and you will be bound by any such vote.

Q How many votes does it take for a matter to be passed?

A For most matters, a simple majority of the votes cast at the Meeting, in person or by proxy, will constitute approval of any matter submitted to a vote. An exception to this rule for the election of Directors was first adopted in 2006 and was amended in 2014 to comply with a pending TSX rule regarding majority voting. The Board of Directors require that if the votes in favour of the election of a Director nominee at an annual meeting of shareholders represent less than a majority of the votes voted and withheld, the nominee will be required to promptly submit his or her resignation to the Governance & Nominating Committee of the Company. Such resignation will be effective once officially accepted by the Board.

The Governance & Nominating Committee will recommend to the Board of Directors to accept the resignation unless exceptional circumstances warrant rejection of the resignation. In accordance with the new pending TSX rules, a resignation will be accepted by the Board of Directors unless the exceptional circumstances considered by the GNC or such additional exceptional circumstances that the Board considers to be relevant would warrant that the applicable Director continue to serve on the Board. We will disclose the final outcome by way of a press release.

The nominee will not participate in any deliberations of the Governance & Nominating Committee or the Board of Directors respecting this resignation offer. Once the offer of resignation is accepted, the Board may appoint a new Director to fill any vacancy created by the resignation or may reduce the size of the Board. This policy does not apply in circumstances involving contested Director elections. Please refer to the section of this Circular entitled **Majority Voting** for additional information.

As at March 24, 2014, there were 77,121,278 Common Shares issued and outstanding. Our by-laws require that not less than 10% of all issued and outstanding shares be represented in person or by proxy in order to constitute a quorum for the Meeting.

Q Is my vote confidential?

A Voting by proxy is confidential as all proxies are counted and tabulated by Computershare. Shareholder information is not provided to us unless the shareholder makes a comment on the proxy intended for our review or legal requirements make it necessary to disclose how a shareholder has voted.

BUSINESS OF THE MEETING

RECEIVING OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31st, 2013 and the corresponding auditor's report, including management's discussion and analysis, are included in the 2013 Annual Report of the Company. The consolidated financial statements and the auditor's report will be placed before the shareholders at the Meeting.

Registered shareholders and non-registered shareholders who have requested a copy of the 2013 Annual Report will receive the Annual Report by mail. If you did not request a copy of the Annual Report, it may be viewed at our website at www.mtsallstream.com, under the Investors tab, and under Shareholder Information or at www.sedar.com. Alternatively, a copy may be obtained upon request to our Investor Relations department:

P.O Box 6666, Room MP20B
333 Main Street
Winnipeg, Manitoba R3C 3V6
e-mail at investor.relations@mtsallstream.com
telephone at (204) 958-3549 or 1-888-544-5554 (toll-free)

ELECTION OF DIRECTORS

Our Articles and by-laws provide for a minimum of nine (9) and a maximum of fifteen (15) Directors. The Board of Directors has fixed the number of Directors at eleven (11). Each Director elected at the Meeting will hold office until the next annual meeting of shareholders, unless the Director resigns or the Director's office becomes vacant for any reason.

The information set out in the **Nominees for Election to the Board of Directors** section shows the date on which each nominee first became a Director of the Company. All but one of the nominees are currently Directors of the Company who were elected by the shareholders at the annual meeting of shareholders held on May 9th, 2013, excluding Ms. Judi Hand who was recently recruited to stand for election for our Board.

Unless instructed otherwise, the persons designated in the enclosed form of proxy intend to vote for these nominees. Management has no reason to believe that any of the nominees will be unable to serve as a Director, but if this should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy will vote in their discretion for a substitute nominee, unless the shareholder has directed otherwise in the proxy or has indicated that the proxy holder may not vote on the election of Directors.

APPOINTMENT OF AUDITOR

Following an RFP process conducted by the Audit Committee as described on page 38, we are proposing that you cast your vote **FOR** the appointment of Ernst & Young LLP, Chartered Accountants of Winnipeg, Manitoba (the "Auditor"), as Auditor of the Company. Unless you instruct them otherwise, the persons designated in the enclosed form of proxy intend to vote **FOR** the appointment of Ernst & Young LLP until the next annual meeting of shareholders, at remuneration to be determined by the Board of Directors. Prior to Ernst & Young LLP being norminated for appointment as the Company's auditors, Deloitte LLP had been the auditor of the Company for more than five years. There were no disagreements with Deloitte LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure for the period in which Deloitte LLP provided auditing services, including any "reportable event", as defined in National Instrument 51-102 Continuous Disclosure Obligations. See Appendix 4 for the reporting package in respect of such change in auditor

The Audit Committee has a policy that restricts the services that may be provided by the Auditor and the fees paid to the Auditor. All services provided by the Auditor must be permitted by law, permitted by the Audit Committee policy (available at www.mtsallstream.com, under the "Governance" tab) and be pre-approved by the Audit Committee as per the policy. Fees paid or accrued to the former auditor, Deloitte & Touche LLP for the past two fiscal years ended December 31st, 2013 and 2012 are detailed below.

(In Millions $)	2013	2012
Audit Fees	0.9	0.8
Audit Related Fees[(1)]	0.6	0.7
Tax Fees	0	0
All Other Fees[(2)]	0.2	0.1
TOTAL	1.7	1.6

(1) "Audit related fees" include fees associated with regulatory audits, pension plan audits and other specified procedures audits. Audit related fees include fees related to audits of Allstream Inc. related to the 2012 and 2013 fiscal years.

(2) "All other fees" consist primarily of fees for services related to French translation of documents filed with securities regulatory authorities.

ADVISORY VOTE ON EXECUTIVE COMPENSATION

Once again, we are asking our shareholders to cast an advisory vote on the approach the Company takes to executive compensation, which are more fully disclosed in the Report of the Human Resources & Compensation Committee and the Executive Compensation sections of this Circular. In these sections, we outline the Company's compensation philosophy, design and implementation using various compensation tools or awards based on performance. We review the use of external references as benchmarks and review the compensation of our executives as compared to the performance of the Corporation. We believe that we have created a compensation structure that directly links "pay" for "performance".

We adopted our advisory vote language based upon the example provided by the Canadian Coalition for Good Governance (CCGG). Our advisory vote language is:

"Resolved, on an advisory basis and not to diminish the role and responsibilities of the board of directors, that the shareholders accept the approach to executive compensation disclosed in the Company's information circular made available in advance of the 2014 annual meeting of shareholders."

While this advisory vote is non-binding, the Human Resources & Compensation Committee and the Board will review the results of the vote and take such vote into account when considering future changes to the compensation policies and determinations.

We are committed to continuing our goal of plain and clear disclosure to our shareholders. We are proud of the governance awards and recognitions we have received (see the side bar), but we know that there always remains room for improvement. We believe that this year's Circular, and our compensation philosophy generally, has improved on a year-over-year basis. As a part of our commitment, we maintain open communications by making our Board and / or senior management available to meet with various shareholders and other interested parties. As a part of this undertaking, in two (2) of the past three (3) years we met with the CCGG where we discussed disclosure policies and practices on various issues including executive compensation. We also regularly meet with most of our major shareholders, ratings agencies, analysts and potential future shareholders. We are comfortable being held to answer for the decisions we make.

In particular, you may notice that in this year's Summary Compensation Table, the CEO's compensation is shown to be decreasing by over 5%, and that over 18% of his total direct compensation will not be realized or realizable in 2013. This confirms the strong linkages between pay and performance that we have created.

Honorable Mention in the Best Overall Governance (2013)

Gavel Award for best disclosure of governance practices & approach to executive compensation (2011)

2013 Board Games
Ranked #1 Telecom Provider &
Top 6th Percentile Overall

AWARDS & RECOGNITIONS

For these reasons we propose that you cast your vote **FOR** the resolution supporting the Company's approach to executive compensation. Unless you instruct them otherwise, the persons designated in the enclosed form of proxy intend to vote **FOR** the resolution.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

HIGHLIGHTS OF THE 2013 BOARD OF DIRECTORS

- ☑ This year, we are increasing the size of our Board by one Director in order to have continuity following the pending mandatory retirement of one Director at our next AGM in 2015. Through our Director Search Process, we were rigorous in following our "gap analysis" and were also pleased to be able to increase our Board diversity by adding a fourth (4th) female director

- ☑ We include an in-camera session for independent Directors in all of our Board and Committee meetings.

- ☑ We had a 99% attendance record at all Committee meetings and a 100% attendance record at 9 out of 10 Board meetings, in a year when we held an unusually large number of Board and Committee meetings. In fact, this year there were a total of 51 different Board and Committee meetings, which we believe to be a record for the Company and is believed to be among the more active Boards in the country.

- ☑ We are holding our third (3rd) "say on pay" advisory vote, based on the Canadian Coalition for Good Governance's model.

- ☑ We are aligned with you, as our independent Directors own Common Shares and DCUs worth 5.49 times their annual retainer.

- ☑ We amended our majority voting policy to comply with the new TSX rule that requires all TSX-listed issuers to implement majority voting for director elections at uncontested meetings coming into effect June 30, 2014.

- ☑ We place a strong emphasis on Director Education that we are actively involved in shaping. We take the time to educate ourselves about our Company, both from management and external parties.

- ☑ We are committed to using our own telecommunication technologies. The Board is predominately paperless, and uses electronic documents for its meetings. In 2014, a quarter of all Board meetings have been scheduled as video conferences as we continue to leverage our own technology to save costs and reduce our environmental footprint.

PIERRE J. BLOUIN

WINNIPEG, MANITOBA, CANADA

DIRECTOR SINCE: March 10, 2006

AGE: 56

MANDATORY RETIREMENT: 2030

NOT INDEPENDENT [(1)] (Management - CEO)

AREAS OF EXPERTISE:
Telecommunications / Converged Technology
Consumer Marketing / Insights Consumer Facing

Pierre J. Blouin is a seasoned telecommunications executive with a wide range of experience in the Canadian Telecom industry. He was appointed Chief Executive Officer of the Company on December 7, 2005. Prior to this appointment, Mr. Blouin spent over 20 years at BCE Inc. and Bell Canada, with his last position being Group President - Consumer Markets of Bell Canada where he was responsible for all of Bell's consumer products including wireless, internet, television, residential telephony and retail channels. Prior to that, he was Chief Executive Officer of Emergis Inc. (formerly known as BCE Emergis Inc.) and CEO of Bell Mobility. In addition to being a Director of the Company and its material subsidiaries, he is also a Director of various non-profit organizations related to healthcare, education and professional sports.

Mr. Blouin holds a Bachelor's degree in Finance and Marketing from the École des Hautes Études Commerciales "HEC" (affiliated to the University of Montreal) with the honour of "Prix Relève d'excellence HEC" and is a fellow of the Purchasing Management Association of Canada and of the Canadian Bankers Institute.

Mr. Blouin is not an official member of any Board Committees, however, he is invited to all Committee meetings (other than the in-camera portions thereof).

SECURITIES HELD

Common Shares[(2)]:	**176,074**	**PSUs[(3)]:**	**37,387**	**RSUs[(3)]:**	**59,170**
Total Common Shares, PSUs & RSUs:	**272,631**	**Total Market Value of Common Shares, PSUs & RSUs[(4)]**	**$8,110,328**	**Minimum Share Ownership:**	**Attained**

Date Granted	Expiry Date	Number Granted	Exercise Price[(5)]	Total Unexercised	Value of In-the-Money Unexercised Options at Fiscal Year End[(6)]
December 7, 2005	December 6, 2015	450,000	$40.44	450,000	Nil
March 10, 2009	March 9, 2019	155,440	$32.93	155,440	Nil
February 4, 2010	February 3, 2020	685,715	$33.67	685,715	Nil
February 9, 2012	February 8, 2022	240,785	$32.36	240,785	Nil

Meeting Attendance: **Board:** 10/10 — **Total Board & Committee Attendance:** 100%

Experience: CEO/COO/CFO[(7)], Experienced Director, Financial, Public Company (Executive or Board) & Telecommunications / Converged Technology, Risk Management

Public Board Membership During Last Five Years: None — **Public Board Interlocks:** None

VOTING RESULTS OF 2013 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	26,846,172	316,322	27,162,494
% of Votes	99%	1%	100%

JOCELYNE M. COTE-O'HARA, C.M.

TORONTO, ONTARIO, CANADA

DIRECTOR SINCE: January 7, 1997

AGE: 68

MANDATORY RETIREMENT: 2018

INDEPENDENT(1)

AREAS OF EXPERTISE:
Telecommunications / Convereged Technology
Strategic Planning
Regulatory / Law / Government / Risk Managementent / Risk Management

Jocelyne M. Côté-O'Hara is a Corporate Director. She has had more than 30 years in the telecom and technology industries as an executive, director and advisor. Appointments include Vice President of BC Tel, President and CEO of Stentor Alliance Company and a Principal of an information and telecommunications consulting firm. She has spent the past decade as a Director of a number of agencies, corporations and organizations, including The B.E.S.T. Discoveries and Total Return Funds Inc., Xerox Canada, Northern Trust Canada, Ryerson University and MITACS Inc., a major University-based national research organization and several private corporations such as Protus IP Solutions. She recently completed a 3 year appointment to the RCMP Reform Implementation Council. Ms. Côté-O'Hara serves on the Independent Audit Committee for the Office of the Federal Privacy Commissioner. In December 2011 she was appointed a Member of the Order of Canada and was recently a recipient of the Queen's Diamond Jubilee Medal.

Ms. Côté-O'Hara received her Bachelor of Arts from the University of Ottawa and completed the Advanced Management Program at the Harvard Business School.

Ms. Côté-O'Hara currently is a member of each the **Human Resources & Compensation Committee** and the **Governance & Nominating Committee**.

SECURITIES HELD

Common Shares(2)**:**	**1,000**			**DCUs**(3)**:**	**15,943**		
Total Common Shares & DCUs:	**16,943**		**Total Market Value of Common Shares & DCUs**(4)	**$503,546**		**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10	**HRCC:** 8/8	**GNC:** 8/8			**Total Board & Committee Attendance:**	100%
Experience:	CEO/COO/CFO(7), Experienced Director, Retired Executive, Public Company (Executive or Board) & Telecommunications / Convereged Technology						
Public Board Membership During Last Five Years:	B.E.S.T Discoveries Funds Inc. – Since November 1996					**Public Board Interlocks:**	None

VOTING RESULTS OF 2013 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**26,312,497**	**849,997**	**27,162,494**
% of Votes	**97%**	**3%**	**100%**

N. ASHLEIGH EVERETT

WINNIPEG, MANITOBA, CANADA

DIRECTOR SINCE: January 7, 1997

AGE: 57

MANDATORY RETIREMENT: 2029

INDEPENDENT[(1)]

AREAS OF EXPERTISE:
Strategic Planning
Human Resources / Compensation
Consumer Facing

Ms. Everett is President and Corporate Secretary of Royal Canadian Securities Limited, the holding company of (a) Royal Canadian Properties Limited, a property development company for which she also serves as Chair, (b) Domo Gasoline Corporation, which operates gas stations in western Canada and (c) L'Eau-1 Inc., a water purification company. Ms. Everett is a Director of Scotiabank, where she is the Chair of the Corporate Governance Committee and a member of the Executive and Risk Committee. She is also a member of the World Presidents Organization.[(8)]

Ms. Everett received her Bachelor of Arts from Queen's University and her Masters of Business Administration from the Ivey School of Business at the University of Western Ontario.

Ms. Everett currently chairs the **Governance & Nominating Committee** and is a member of the **Human Resources & Compensation Committee** and a member of the **Director Search Sub-Committee** formed for the purposes of recruiting a new Director onto the Board**.**

SECURITIES HELD

Common Shares[(2)]**:**	**1,300**	**DCUs**[(3)]**:**	**16,097**	**Total Common Shares & DCUs:**	**17,397**
Total Market Value of Common Shares & DCUs[(4)]	**$517,039**			**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10	**HRCC:** 8/8	**GNC:** 8/8	**Total Board & Committee Attendance:** 100%	
Experience:	CEO/COO/CFO[(7)], Experienced Director, Financial, Public Company (Executive or Board), Risk Management				
Public Board Membership During Last Five Years:	Scotiabank – Since October 1997			**Public Board Interlocks:**	None

VOTING RESULTS OF 2013 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**26,330,665**	**831,829**	**27,162,494**
% of Votes	**97%**	**3%**	**100%**

THE HONOURABLE GARY A. FILMON, P.C., O.C., O.M., LLD

WINNIPEG, MANITOBA, CANADA

DIRECTOR SINCE: April 29, 2003

AGE: 71

MANDATORY RETIREMENT: 2015

INDEPENDENT[(1)]

AREAS OF EXPERTISE:
Regulatory /Law / Government / Risk Management
Strategic Planning
Human Resources / Compensation

The Honourable Gary A. Filmon is a Corporate Director. Mr. Filmon was the Premier of the Province of Manitoba from May 1988 to October 1999 and was also the Chair of Canada's Security Intelligence Review Committee from 2005 to 2010. Mr. Filmon is a trustee of Arctic Glacier Income Fund[(8)], Chair of Exchange Income Corporation and until recently FWS Construction Limited, a Director of Canadian Natural Resources Limited and was appointed an Officer of the Order of Canada in December 2009.

Mr. Filmon has a Bachelor of Science and a Masters in Civil Engineering from the University of Manitoba.

Mr. Filmon currently is the Chair of the **Human Resources & Compensation Committee** and is a member of the **Governance & Nominating Committee**, as well as the Chair of the **Director Search Sub-Committee** that has been operating to recruit a new director at this AGM.

SECURITIES HELD

Common Shares[(2)]**:**	**Nil**	**DCUs**[(3)]**:**	**22,714**	**Total Common Shares & DCUs:**	**22,714**
Total Market Value of Common Shares & DCUs[(4)]	**$675,060**			**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10	**HRCC:** 8/8	**GNC:** 8/8	**Total Board & Committee Attendance:** 100%	
Experience:	CEO/COO/CFO[(7)], Experienced Director, Public Company (Executive or Board)				
Public Board Membership During Last Five Years:	Arctic Glacier Income Fund – Since March 2002 Exchange Income Corporation – Since October 2002 Canadian Natural Resources Limited – Since February 2006				
Public Board Interlocks:	None				

VOTING RESULTS OF 2013 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**26,344,155**	**818,339**	**27,162,494**
% of Votes	**97%**	**3%**	**100%**

GREGORY J. HANSON, FCA, FCIP, FLMI

WINNIPEG, MANITOBA, CANADA

DIRECTOR SINCE: May 8, 2007

AGE: 62

MANDATORY RETIREMENT: 2023

INDEPENDENT[(1)]

AREAS OF EXPERTISE:
Financial Expert
Strategic Planning
Human Resources / Compensation

Gregory J. Hanson is a Corporate Director. From November 1992 to May 2007, Mr. Hanson was President and Chief Executive Officer of The Wawanesa Mutual Insurance Company. Mr. Hanson is a Director of each of The Wawanesa Mutual Insurance Company, The Wawanesa Life Insurance Company, Wawanesa General Insurance Company and James Richardson & Sons Limited. He is also involved with a number of charitable organizations.

Mr. Hanson has a Bachelor of Commerce from the University of Manitoba and is a Chartered Accountant. He obtained Fellowship in both the Life Management Institute (FLMI) and the Insurance Institute of Canada (FIIC) and completed one month Advanced Executive Education Program at Wharton Business School, University of Pennsylvania.

Mr. Hanson currently is a member of the **Audit Committee** and a member of the **Director Search Sub-Committee** formed for the purposes of recruiting a new Director onto the Board.

SECURITIES HELD

Common Shares[(2)]**:**	**Nil**	**DCUs**[(3)]**:**	**19,769**	**Total Common Shares & DCUs:**	**19,769**
Total Market Value of Common Shares & DCUs[(4)]	**$587,535**			**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10	**AC:** 8/8		**Total Board & Committee Attendance:**	100%
Experience:	CEO/COO/CFO[(7)], Experienced Director, Retired Executive, Financial, Public Company (Executive or Board), Risk Management				
Public Board Membership During Last Five Years:	None			**Public Board Interlocks:**	None

VOTING RESULTS OF 2013 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**26,545,264**	**617,230**	**27,162,494**
% of Votes	**98%**	**2%**	**100%**

KISHORE KAPOOR, CA

WINNIPEG, MANITOBA, CANADA

DIRECTOR SINCE: May 2, 2006

AGE: 57

MANDATORY RETIREMENT: 2029

INDEPENDENT[(1)]

AREAS OF EXPERTISE:
Financial Expert
Strategic Planning

Kishore Kapoor is a Corporate Director. Until 2011, Mr. Kapoor was President of Wellington West Holdings Inc. From November 2003 to June 2005, Mr. Kapoor was Executive Vice-President Corporate Development of Loring Ward International Ltd., a public company formed to hold the U.S. operations of Assante Corporation, a company which provides wealth and asset management services. As one of the founders of Assante Corporation, Mr. Kapoor was its Executive Vice-President Corporate Development from March 1994 to November 2003.

Mr. Kapoor has a Bachelor of Science from the University of Manitoba and is a Chartered Accountant and former tax partner with KPMG LLP.

Mr. Kapoor currently is the Chair of both the **Audit Committee** and the **Strategic Committee**.

SECURITIES HELD

Common Shares[(2)]**:**	**1,000**	**DCUs**[(3)]**:**	**35,412**	**Total Common Shares & DCUs:**	**36,412**
Total Market Value of Common Shares & DCUs[(4)]	**$1,082,165**			**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10	**AC:** 8/8	**SC:** 17/17	**Total Board & Committee Attendance:**	100%
Experience:	CEO/COO/CFO[(7)], Experienced Director, Financial, Public Company (Executive or Board), Risk Management				
Public Board Membership During Last Five Years:	None			**Public Board Interlocks:**	None

VOTING RESULTS OF 2013 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**26,896,658**	**265,836**	**27,162,494**
% of Votes	**99%**	**1%**	**100%**

DAVID G. LEITH

TORONTO, ONTARIO, CANADA

DIRECTOR SINCE: May 6, 2009

AGE: 54

MANDATORY RETIREMENT: 2032

INDEPENDENT[(1)]

AREAS OF EXPERTISE:
Financial Expert
Regulatory / Law / Government / Risk Management
Strategic Planning

David G. Leith is **Chair of the Board**. In addition, Mr. Leith is a Director of Yellow Media Inc., a Director of Hudson's Bay Company, and a Director of the Ontario Infrastructure and lands Corporation. He is active in a number of charitable endeavours and is the Chair of Bridgepoint Health Foundation.

Mr. Leith has over 25 years of equity, debt, government finance and mergers and acquisitions experience with CIBC World Markets and its predecessors. Until February 2009, Mr. Leith was Deputy Chairman of CIBC World Markets and Managing Director and Head of CIBC World Markets' Investment, Corporate and Merchant Banking activities.

Mr. Leith has a Bachelor of Arts from the University of Toronto and a Masters of Arts from Cambridge University.

Mr. Leith is currently an **ex-officio member** of all Committees of the Board and a member of the **Strategic Committee** and the **Director Search Sub-Committee** formed for the purposes of recruiting a new Director onto the Board.

SECURITIES HELD

Common Shares[(2)]**:**	**5,000**	**DCUs**[(3)]**:**	**22,469**	**Total Common Shares & DCUs:**	**27,469**
Total Market Value of Common Shares & DCUs[(4)]	**$816,379**			**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10	**SC:** 17/17		**Total Board & Committee Attendance:**	100%
Experience:	Experienced Director, Retired Executive, Financial, Public Company (Executive or Board), Risk Management				
Public Board Membership During Last Five Years:	TransGlobe Apartment REIT – Since May 2010 Yellow Media Inc. – Since February 2012 Hudson's Bay Company – Since Novemer 2012				
Public Board Interlocks:	None				

VOTING RESULTS OF 2013 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**26,929,398**	**232,996**	**27,162,394**
% of Votes	**99%**	**1%**	**100%**

H. SANFORD RILEY, CM, OM, LLD

WINNIPEG, MANITOBA, CANADA

DIRECTOR SINCE: May 4, 2011

AGE: 63

MANDATORY RETIREMENT: 2023

INDEPENDENT[(1)]

AREAS OF EXPERTISE:
Strategic Planning
Regulatory / Law / Government / Risk Management
Marketing

H. Sanford Riley is President and Chief Executive Officer of Richardson Financial Group, Ltd., a specialized financial services company. Between 1992 and 2001, he served as President and Chief Executive Officer of Investors Group Inc., a personal financial services organization, retiring as Chairman in 2002. Mr. Riley is the Chairman of The North West Company, and is also a Director of Molson Coors Brewing Company, GMP Capital, Canadian Western Bank, and The Canada West Foundation. Mr. Riley serves as Chairman of the University of Winnipeg Foundation, is a past Chancellor of the University of Winnipeg and past Chairman of the Manitoba Business Council.

Mr. Riley obtained a Bachelor of Arts in Political Science from Queen's University and a law degree from Osgoode Hall Law School. Mr. Riley was also appointed a Member of the Order of Canada in 2002.

Mr. Riley is a member of the **Audit Committee** and the **Strategic Committee**.

SECURITIES HELD

Common Shares[(2)]**:**	2,000	**DCUs**[(3)]**:**	12,554	**Total Common Shares & DCUs:**	14,554
Total Market Value of Common Shares & DCUs[(4)]	$432,545			**Minimum Share Ownership:**	Attained
Meeting Attendance:	**Board:** 9/10	**AC:** 8/8	**SC:** 16/17	**Total Board & Committee Attendance:**	94%
Experience:	CEO/COO/CFO[(7)], Experienced Director, Retired Executive, Financial, Public Company (Executive or Board)[(8)], Risk Management				
Public Board Membership During Last Five Years:	Molson Coors Brewing Company – Since February 2005 North West Company – Since June 2008 GMP Capital – Since November 2009 Canadian Western Bank – Since March 2011				
Public Board Interlocks:	None				

VOTING RESULTS OF 2013 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**26,386,684**	**775,610**	**27,162,294**
% of Votes	**97%**	**3%**	**100%**

D. SAMUEL SCHELLENBERG

R.M. OF MONTCALM, MANITOBA, CANADA

DIRECTOR SINCE: August 18, 1989[9]

AGE: 69

MANDATORY RETIREMENT: 2017

INDEPENDENT[1]

AREAS OF EXPERTISE:
Resources / Compensation
Strategic Planning
Regulatory / Law / Government / Risk Management

D. Samuel Schellenberg is a Corporate Director. Mr. Schellenberg has many years of experience in business as Chief Executive Officer of Pembina Valley Water Cooperative Inc. up until his retirement in 2010. He also has operated independent businesses, and served in an advisory role to the Government of Manitoba. Mr. Schellenberg has a variety of board experience and is a Director of the International Water Institute and Parkinson Society Manitoba. He has served as a Director of the Red River Basin Commission, Red River Trade Inc. and the International Flood Mitigation Initiative, as well as a number of non-profit organizations, including the Pembina River Advisory Board and Pembina Valley Adult Education.

Mr. Schellenberg has a Bachelor of Arts from the University of Manitoba.

Mr. Schellenberg currently is a member of the **Audit Committee**.

SECURITIES HELD

Common Shares[2]:	**2,600**	**DCUs[3]:**	**15,943**	**Total Common Shares & DCUs:**	**18,543**
Total Market Value of Common Shares & DCUs[4]	**$551,098**			**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10	**AC:** 8/8		**Total Board & Committee Attendance:**	100%
Experience:	CEO/COO/CFO[7], Experienced Director, Retired Executive, Financial, Public Company Executive or Board), Telecommunications / Converged Technology, Risk Management				
Public Board Membership During Last Five Years:	None			**Public Board Interlocks:**	None

VOTING RESULTS OF 2013 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**26,664,869**	**497,625**	**27,162,494**
% of Votes	**98%**	**2%**	**100%**

CAROL M. STEPHENSON, O.C.

LONDON, ONTARIO, CANADA

DIRECTOR SINCE: May 22, 2008

AGE: 63

MANDATORY RETIREMENT: 2023

INDEPENDENT[(1)]

AREAS OF EXPERTISE:
Telecommunications / Converged Technology
Human Resources / Compensation
Regulatory / Law / Government / Risk Management

Carol M. Stephenson is a Corporate Director. Until September 2013, she was the Dean of the Ivey Business School at Western University, a position she held since July 2003. She has worked for more than 30 years in the telecommunications and technology industries, most recently as President and Chief Executive Officer of Lucent Technologies Canada from July 1999 to February 2003.

Ms. Stephenson serves as a Director of Intact Financial Services Inc. where she is the Chair of the Human Resources and Compensation Committee and sits on the Conduct Review and Corporate Governance Committee. She serves as a Director of Ballard Power Systems where she is the Chair of the Corporate Governance and Compensation Committee. Ms. Stephenson also serves as a Director at General Motors Company, where she sits on the Executive Compensation Committee and the Directors and Corporate Governance Committee. She was also appointed an Officer of the Order of Canada in December 2009. Ms. Stephenson was the 2010 Chair of the United Way Campaign for London & Middlesex, Ontario.

Ms. Stephenson is a graduate of the University of Toronto. She has also completed the Executive Program at the Graduate School of Business Administration, University of California, and the Advanced Management Program at Harvard University. In 2000, she was awarded an honorary doctorate in engineering from Ryerson Polytechnic University.

Ms. Stephenson currently is a member of the **Governance & Nominating Committee** and the **Human Resources & Compensation Committee**.

SECURITIES HELD

Common Shares[(2)]**:**	**1,000**	**DCUs**[(3)]**:**	**24,800**	**Total Common Shares & DCUs:**	**25,800**
Total Market Value of Common Shares & DCUs[(4)]		**$766,776**		**Minimum Share Ownership:**	**Attained**

Meeting Attendance: **Board:** 10/10 **HRCC:** 8/8 **GNC:** 8/8 **Total Board & Committee Attendance:** 100%

Experience: CEO/COO/CFO[(7)], Experienced Director, Retired Executive, Public Company (Executive or Board), Telecommunications / Converged Technology, Risk Management

Public Board Membership During Last Five Years:
Intact Financial Services Corporation – Since January 2003
General Motors Company – Since August 2009
Ballard Power Systems – Since June 2012

Public Board Interlocks: None

VOTING RESULTS OF 2013 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**26,533,841**	**628,653**	**27,162,494**
% of Votes	**98%**	**2%**	**100%**

JUDI HAND

DENVER, COLORADO, UNITED STATES

DIRECTOR SINCE: N/A

AGE: 52

MANDATORY RETIREMENT: 2034

INDEPENDENT[(1)]

AREAS OF EXPERTISE:
Consumer Marketing / Insights
Telecommunications / Converged Technology
Strategic Planning

Ms. Hand is the President and General Manager of Revana, a wholly owned subsidiary of TeleTech Holdings, Inc., a position she has held since 2007. She has more than 20 years experience in sales, service, and marketing to business and consumer customers at all levels. Her previous executive experience includes Senior Vice President of Enterprise Sales with AT&T, Vice President of AT&T Business Services for small and mid-sized markets, Senior Vice President of Sales and Customer Care at Qwest for small business and consumer markets, Chief Marketing Officer for US WEST Dex and Executive Director of Solutions Marketing and Director of Market Strategy Development for US WEST.

Ms. Hand has an MBA from Stanford University and a BSBA in communications and marketing from the University of Nebraska.

This is Ms. Hand's first year standing for election.

SECURITIES HELD

Common Shares[(2)]**:**	N/A	**DCUs**[(3)]**:**	N/A	**Total Common Shares & DCUs:**	N/A
Total Market Value of Common Shares & DCUs[(4)]	N/A			**Minimum Share Ownership:**	N/A
Meeting Attendance:	N/A			**Total Board & Committee Attendance:**	N/A
Experience:	CEO/COO/CFO[(7)], Experienced Director, Public Company (Executive or Board), Telecommunications / Converged Technology				
Public Board Membership During Last Five Years:	None			**Public Board Interlocks:**	None

VOTING RESULTS OF 2013 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	N/A	N/A	N/A
% of Votes	N/A	N/A	N/A

(1) "Independent" refers to the standards of independence established under section 1.2 of National Instrument 58-101 **Disclosure of Corporate Governance Practices** adopted by the Canadian securities regulatory authorities. Based on information regarding personal and business circumstance, the Company's Board is satisfied that 9 of its 10 Directors in 2013 were Independent within the meaning of the regulatory Independence Requirements. Mr. Blouin is not independent as he is the Company's CEO. For a discussion on Independence see Schedule A.

(2) "Common Shares" refers to the number of Common Shares of the Company beneficially owned, or over which control or direction is exercised, by the nominee as at March 24th, 2014.

(3) "DCUs" refers to the number of deferred compensation units held by the nominee as at March 24th, 2014 under the Directors Share Appreciation Plan as described in **Directors' Share Ownership**. In the case of Pierre J. Blouin, "PSUs" refers to the number of performance share units held by Mr. Blouin under the Company's Performance Share Unit Plan, and "RSUs" refers to the number of restricted share units held by him under the Company's Restricted Share Unit Plan as at March 24th, 2014. Mr. Blouin does not participate in the Directors Share Appreciation Plan.

(4) "Total Market Value of Common Shares and DCUs" is determined by multiplying the number of Common Shares and DCUs held by each nominee as at March 24th, 2014 by the closing price of the Common Shares on The Toronto Stock Exchange ("TSX") on that date ($29.72). In the case of Pierre J. Blouin, "Total Market Value of Common Shares, PSUs and RSUs" is the sum of (i) the number of Common Shares held by him as at March 24th, 2014 multiplied by the closing price of the Common Shares on the TSX on that date ($29.72), and (ii) the number of PSUs and RSUs held by him as at March 24th, 2014 multiplied by the weighted average of the trading prices of the Common Shares on the five consecutive trading days preceding March 24th, 2014 ($29.80).

(5) "Exercise Price" is equal to the weighted average of the trading prices of the Common Shares on the five consecutive trading days preceding the date of grant.

(6) "Value of Unexercised Options" is calculated by multiplying the number of unexercised options held by the nominee as at December 31st, 2013 by the positive difference between the weighted average of the trading prices of the Common Shares on the five consecutive trading days preceding December 31st, 2013 ($29.06) and the exercise price of such options.

(7) "CEO/COO/CFO" indicates that the candidate has experience in the role of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer.

(8) Form 51-102F5, Rule 7.2 of the **Canadian Securities Act** requires the disclosure of a director who, within the last ten years, had been a director or officer of a company that made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. N. Ashleigh Everett was, prior to April 2005, a director and officer of Tereve Holdings Ltd., which filed for creditor protection under the **Companies' Creditors Arrangement Act (Canada)** in August 2005; G. Filmon is a trustee of Arctic Glacier Income Fund, which filed for creditor protection under the **Companies' Creditors Arrangement Act (Canada)** in February 2012, he received recognition of the CCAA proceedings in the U.S. under Chapter 15 of the United States Bankruptcy Code, as amended.

(9) D. Samuel Schellenberg was a member of the Board of Commissioners of The Manitoba Telephone System prior to January 7th, 1997, the date on which The Manitoba Telephone System ceased to be a Crown corporation and was continued as a publicly-traded company under the name Manitoba Telecom Services Inc. The date specified for Mr. Schellenberg becoming a Director is the date when he first became a member of the Board of Commissioners.

BOARD AND COMMITTEE MEETINGS

In advance of each year, a meeting schedule is established setting down the meetings of the Board and its Committees that will be held throughout the next calendar year. The number of meetings and the aggregate rate of attendance at such meetings held in 2013 are set out in the table below. As a matter of policy, Directors are required to attend the Annual Meeting, all Board meetings and Committee meetings on which they serve, in person, subject to extraordinary circumstances.

SUMMARY OF BOARD AND COMMITTEE MEETINGS HELD AND ATTENDANCE BY MEETING

	Number Of Meetings	Attendance At All Meetings
Board of Directors	10	100% at 9 Meetings 90% at 1 Meeting*
Audit Committee ("AC")	8	100%
Governance & Nominating Committee ("GNC")	8	100%
Human Resources and Compensation Committee ("HRCC")	8	100%
Strategic Committee ("SC")	17	100% at 16 Meetings 67% at 1 Meeting*

★ Meetings where there was not 100% attendance were called on unusually short notice in connection with developments in our Strategic Review Process

Individual attendance records are set out in the table below.

INDIVIDUAL MEETING ATTENDANCE

Director	Board	Board Meeting Total %	AC	GNC	HRCC	SC	Committee Meeting Total	Committee Meeting Total %	Cumulative Meeting Total for each Director	Cumulative Meeting Total % for each Director
Pierre J. Blouin	10/10	100%							10/10	100%
Jocelyne M. Côté-O'Hara	10/10	100%		8/8	8/8		16/16	100%	26/26	100%
N. Ashleigh Everett	10/10	100%		8/8 (Chair)	8/8		16/16	100%	26/26	100%
Gary A. Filmon	10/10	100%		8/8	8/8 (Chair)		16/16	100%	26/26	100%
Gregory J. Hanson	10/10	100%	8/8				8/8	100%	18/18	100%
Kishore Kapoor	10/10	100%	8/8 (Chair)			17/17 (Chair)	25/25	100%	35/35	100%
David G. Leith	10/10	100%	n/a[1]	n/a[1]	n/a[1]	17/17	17/17	100%	27/27	100%
H. Sanford Riley	9/10	90%	8/8			16[2]/17	24[2]/25	96%	33/35	94%
D. Samuel Schellenberg	10/10	100%	8/8				8/8	100%	18/18	100%
Carol M. Stephenson	10/10	100%		8/8	8/8		16/16	100%	26/26	100%
TOTAL OF ALL ATTENDEES	99/100	99%	32/32	32/32	32/32	50/51	146/147	99%	245/247	99.2%

(1) David Leith is an ex-officio member of all Committees of the Board, other than the Strategic Committee and the Director Search Sub-Committee formed in 2014 for which he is a member. As an ex-officio member of these other Committees, Mr. Leith may attend any Committee meeting or a portion of any Committee meeting, however his attendance is not mandatory. Mr. Leith has attended every Committee meeting, subject only to situations in which meetings of different Committees ran concurrently, in which case Mr. Leith attended one or the other, or both, depending upon the agenda.

(2) Both the Board and Strategic Committee meetings in May 2013 were called with unusually short notice to consider emerging developments in the Strategic Review process.

EVALUATION OF BOARD AND COMMITTEE PERFORMANCE

The GNC, together with the entire Board, takes the issue of Board and Committee performance very seriously. Board and Committee performance is closely monitored through a comprehensive annual evaluation process, which includes three primary components.

ANONYMOUS ONLINE SURVEY: Each Director is required to complete a lengthy online survey that deals with a wide range of Board issues, including efficiency, quality of written materials, appropriateness of Board agendas, quality of the participation by other Directors, whether the Committee process is effective and other matters. Every year, this survey is adjusted to reflect new developments, both within the Board and Committees themselves, and to ask questions about timely issues and governance trends. We also amend the survey to follow-up on issues raised as concerns in past surveys, to ensure that we have taken the appropriate steps to adjust for matters raised in past surveys and to ensure this survey becomes increasingly targeted every year. To ensure anonymity and quality of responses, the survey is hosted by an Internet-based third party service provider. The surveys are compiled and the results are aggregated on an anonymous basis.

"ONE ON ONE" MEETINGS: The Chair of the GNC, together with the Chair of the Board, hold "one on one" meetings with each of the individual Directors to obtain feedback on Board and Committee performance. At the end of these meetings, the Chair of the Board leaves, allowing each Director to provide feedback directly to the Chair of the GNC in respect of the performance of the Chair of the Board.

"SKILLS MATRIX": The GNC maintains a "skills matrix" of the existing Board. This year, we amended the structure of our "skills matrix" to refine our capability of doing effective "gap" analysis as the Director Search Sub-Committee (formed in 2014) conducted its work. Each Director is asked to indicate their experience and expertise which is compiled into the matrix. The skills matrix allows the Board to easily review the Board skill compliment to ensure the Board's expertise is well rounded. This matrix also assists with tracking projected departure or retirement dates for each of the Directors, to plan for future experience requirements. The results are reviewed, analyzed and discussed by the full Board. The contents of this "skills matrix" are as follows:

	Director	P. J. Blouin	J. Côté-O'Hara	N. A. Everett	G. A. Filmon	Judi Hand	G. J. Hanson	D. G. Leith	K. Kapoor	H.S. Riley	D. S. Schellenberg	C. M. Stephenson	TOTAL
Mandatory Retirement	Age 72	2030	2018	2029	2015	2034	2023	2032	2029	2023	2017	2023	
Age Distribution	Under 60	■		■		■		■	■				5
	60 - 69		■				■			■	■	■	5
	70 - 72				■								1
Linguistics	English	■	■	■	■	■	■	■	■	■	■	■	11
	French	■	■										2
Citizenship	Canadian	■	■	■	■		■	■	■	■	■	■	10
	Other					■							1
Residency	Manitoba	■		■	■		■		■	■	■		7
	Other		■			■		■				■	4
Diversity	Male	■			■		■	■	■	■	■		7
	Female		■	■		■						■	4
	Visible Minorities								■				1
Tenure (at MTS)	1–5 Years Of Service					■		■		■		■	4
	5-10 Years Of Service	■			■		■		■				4
	10+ Years Of Service		■	■							■		3
Expertise (Rank 3 Items, With 1 Being Highest Expertise)	Financial Expert						1	1	1				
	Telecommunications / Converged Technology	1	1			2						1	
	Human Resources / Compensation			2	2		3				1	2	
	Consumer Marketing / Insights	2				1							
	Consumer Facing	3		3						3			
	Strategic Planning		2	1	3	3	2	3	2	1	2		
	Regulatory/ Law/ Government/ Risk Management		3		1			2		2	3	3	
Experience (Check All That Apply)	CEO/COO/CFO	■	■	■	■	■	■		■	■	■	■	10
	Experienced Director	■	■	■	■		■	■	■	■	■	■	10
	Retired Executive		■				■	■		■	■	■	6
	Financial	■		■			■	■	■	■	■		7
	Public Company (Executive or Board)	■	■	■	■	■	■	■	■	■	■	■	11
	Telecommunications / Converged Technology	■	■			■					■	■	5
	Risk Management	■		■			■	■	■	■	■	■	8

Once the results of the written survey have been compiled, the "one on one" interviews have been completed and the "skills matrix" has been finalized, the Chair of the GNC reports the findings to the full Board. Following the report and ensuing discussion, the Board creates a series of specific action items to address any areas that were identified as warranting improvement. Throughout the following year, the Board follows up on these action items to ensure they have been completed, and these same follow-ups are specifically included in the following year's written survey to determine whether the Board feels the action items have been successful.

PRACTICE IN ACTION – DIRECTOR SELECTION & SUCCESSION PLANNING

In 2014, the GNC formed a Director Search Sub-Committee, which culminated in the nomination of Judi Hand.

Her executive level experience and expertise in telecom and marketing both enhances the composition of the Board by fulfilling the desired skills set identified as a result of our "gap analys" while reflecting its goal of diversity.

This Director selection process that was placed into action is a key component to ensuring the Board contains the skills and expertise to fulfill its mandate and skillfully guide the Company to achieving its strategic and financial goals. The GNC identifies and assesses candidates for Board appointments or nominations. This process occurs over the course of several meetings every year and an "evergreen" list of potential candidates is maintained.

The selection criteria for nominees has been developed to allow the Board to recruit Directors who possess experience and expertise identified by the GNC with skill sets desired to enhance the current Board expertise. However, to be considered eligible, each Director also must meet the following criteria:

- Legally able to serve as a Director, including with respect to legal residence requirements
- Have the time required to be an effective Director
- Be of an age that would allow the Director to serve for at least five (5) years
- Be capable of a mutually respectful and trustworthy relationship with existing Directors and the CEO
- Be familiar with governance responsibilities, fiduciary duties, and the role of the Board in the current regulatory environment
- Be of good moral character and reputation

The GNC and Board has a formalized, eight step process that addresses both the Board's existing requirements, as well as proactively plans for the Board's future retirements, for example, to address pending retirements or other potential departures, as well as considering diversity objectives. A copy of this process is set forth in Schedule "A" under the heading "**Nomination of Directors - Director Selection Process**". In 2014, this process was delegated to the Director Search Sub-Committee for implementation.

This process is required to ensure there is adequate continuity for all of the relevant skills and expertise, and that the Board composition continues to reflect its goal of diversity. During this process, the Board evaluates its perceived requirements for skills, expertise and diversity, then proceeds to broadly solicit recommendations for potential Director candidates which was also bolstered by the recommendations of an external Search Firm. These candidates' qualifications are analyzed and a "short list" is created. These candidates are subsequently interviewed. The results of this entire process are then reported back to the full Board, and a recommendation is made.

The Board believes that its Director selection process is very effective. The combined experience of the Director nominees is robust, and this year in particular has lead to strong results. The Board is now even more diverse, and has strong leaders in finance, risk management, strategy and telecommunications/technology, creating a strong skills base from which to guide the Company.

DIVERSITY CONSIDERATIONS

The GNC, together with the entire Board, recognizes that diversity can benefit decision making and contributes significantly to innovation and growth. Diverse perspectives and insights strengthen our discussions and decision-making, and therefore provide value to our shareholders. The Board also understands that there are increasingly socially responsible investors who are using nonfinancial measures, including considering diversity statistics as a screen for potential investments. Accordingly, the Company has decided to pre-emptively comply with the proposed Ontario Securities Commission "comply or explain" rules.

DIVERSITY AT THE BOARD

Although the Company has no formal policy or targets on diversity for Directors, as a long-standing diverse employer who promotes and supports a culture of inclusion, the Company fully appreciates the benefits of leveraging a range of talents and perspectives. Diversity considerations form an integral part of the Company's "gap" analysis. As is described further in the sections above entitled **Evaluation of Board and Committee Performance** and **Director Selection & Succession Planning**, in addition to the expertise and experience required, diversity is an essential consideration in the selection process for new Directors, including representation of women and minorities. In 2012, the Company confirmed its well established practice of supporting and advancing successful women by joining Catalyst (the leading nonprofit membership organization expanding opportunities for women and business) in its call to action for Canadian corporations to increase the overall promotion of board seats held by women by signing the Catalyst Accord and, as part of that process, provided to Catalyst a confidential, five-year target on gender diversity. We are proud that, in 2013, 3 out of 10 Directors at our Company were female and we expect that, after our upcoming AGM, 4 out of 11 Directors at our Company will be female, which is among the best in the industry. The Canadian Spencer Stuart Board Index of 100 leading publicly-traded Canadian companies indicated an average of 20% of women Directors on such Boards, and a report issued by TD Economics on March 7, 2013, Get on Board Corporate Canada, indicated that in 2011 women represented only 10.9% of Boards on the S&P Composite Index, which is compared to 36% at our Company for 2014.

The Company's position on term limits for Directors is set out in the **Director Term Limits** section below.

DIVERSITY IN THE WORKFORCE

The Company is committed to ensuring that our workforce reflects the diversity of the communities in which we live and do business. As such, the Company has an Employment Equity Policy which strongly supports and encourages the hiring and advancement of women, visible minorities, aboriginal people, and persons with disabilities. We not only feel that this is the right thing to do, it is also very good for business.

In support of our employment equity program, women, visible minorities, aboriginal people and persons with disabilities are encouraged to apply and self-identify in the application process. As an employment equity employer, the Company will provide reasonable accommodation to job applicants with disabilities. The Company gives due consideration to qualified designated group applicants (i.e. women, visible minorities, aboriginal people and persons with disabilities) when recruiting/hiring externally as a measure towards closing any gaps in underrepresented occupational categories.

All external recruitment sites direct candidates to Company web sites where they apply on-line through an applicant tracking system. A key feature of this system is the ability for candidates to self-identify their designated group status on a voluntary basis. It also provides the Company with the ability to capture qualified applicants from the designated groups. Salaries, positions and duties are determined on the basis of qualifications and experience with no discrimination of the identified groups with respect to pay, promotion or employment.

The number of female leaders (Frontline Managers, Directors, General Managers, Vice-Presidents and NEOs) in our Company is in line with, and in fact is greater than, the overall number of women in our workforce; 42% of our leaders are female as compared to 40% of our workforce. Although none of our NEOs are female, 30% of our senior management (General Managers, Vice-Presidents & NEOs) are female. Importantly, in 2013 through early 2014, 44% of the promotions at this level were female. The Company is proud of this representation and aims to maintain or increase these numbers going forward. The Company recognizes the benefit of an even distribution of men and women at all levels of the organization.

Additionally, the Company aspires to increase its representation of visible minorities, aboriginal people, and persons with disabilities. At this time, the proportion of visible minorities in our workforce exceeds availability statistics.

DIRECTOR TERM LIMITS

The Board has actively considered the issue of term limits and will continue to do so. At this time, the Board feels that this type of policy would not be appropriate for our Board. In fact, the Board feels that its current rigorous self-evaluation process is a more effective and transparent manner to ensure Directors continue to add value and remain strong contributors, and the current constitution of the Board reflects these objectives.

MAJORITY VOTING POLICY

The Company first adopted a majority voting policy in 2006. Pursuant to such policy, any nominee for Director who received a greater number of votes "withheld" from his or her election than votes "in favour" of such election was considered not to have the support of shareholders and was immediately required to tender his or her resignation to the GNC. The Board had some discretion to reject the resignation in situations where "extenuating circumstances" would warrant that the applicable Director continue to serve on the Board. In 2014, the policy was amended to comply with a new TSX rule regarding majority voting. If any nominee for Director receives a greater number of votes "withheld" from his or her election than votes "in favour" of such election at an uncontested meeting, the Board is required to accept the resignation of such Director unless there are "exceptional circumstances"; a more stringent test. We believe that our revised majority voting policy holds individual Directors accountable to our shareholders.

Our majority voting policy meets the new TSX requirements.

BOARD INTERLOCKS, "OVERBOARDING" & CHAIR ROTATION POLICIES

Our Board has taken steps to ensure it remains strongly independent by adopting policies relating to overboarding, interlocks and committee rotation.

The Board has considered the situation of Directors who serve on multiple public company boards, especially in light of guidelines produced by various third party advisory firms as to what may constitute "overboarding". In 2012, the Board approved an overboarding policy such that absent exceptional circumstances, a Director who holds a full-time executive position should not serve on the board of more than two (2) public companies and a Director who is not employed full-time should not serve on the board of more than four (4) public companies. Any exceptions to this overboarding policy will be made by the Chair of the Governance and Nominating Committee. The Board is fully satisfied that each Director has more than sufficient time, attention and ability to devote the time required to be a high-performing contributor to the Board, and in every case each Director has demonstrated the necessary commitment to do so. To ensure that this remains the case, the Governance and Nominating Committee requests that all Directors intending to serve on new public company boards discuss the matter in advance with the Committee.

The Board also approved an interlock policy such that Directors shall not accept a directorship or committee appointment with another publicly traded company if such appointment would result in a board or committee interlock without the prior approval of the Governance & Nominating Committee. As of the date of this Circular, no Directors of our Board served together on the boards of other public companies, and the Board is of the view that no Directors serve on an excessive number of other Boards.

The Board has also approved a director rotation policy such that when the Governance and Nominating Committee meets to annually review Committee assignments and Committee Chair positions, it should be mindful as to whether consideration should be given to rotate the Committee assignments and/or Committee Chair positions, however this principle of rotation should not deprive the Board of expertise that Directors possess, and should consider the desires and skills of Directors, the need for continuity, expertise, good governance practices, and length of tenure.

CONTINUING EDUCATION AND DEVELOPMENT OF DIRECTORS

The Company has both an orientation program for new Directors, as well as a strong and recently-enhanced continuing education program for ongoing Directors.

ORIENTATION PROGRAM

The Board has a formal Director Orientation & Continuing Education Policy to formalize the orientation process for newly-appointed Directors. It is designed to familiarize new Directors with the Company, its management structure and operations, and key legal, financial, and operational issues. New Directors are provided with information regarding corporate governance and the structure and procedures of the Board and Committees on which the Directors will serve.

Upon joining the Board, a new Director will have multiple one-on-one sessions with our Chair, Chief Executive Officer and Corporate Secretary to discuss the function of the Board and the nature of operation of the Company's business activities. Individual meetings will also be scheduled with executive management to educate new Directors in more detail with respect to the Company's operations. A secure website is also available to our Directors, where they have access to important Board materials, including Board books, charters, guidelines and codes.

CONTINUING EDUCATION PROGRAM

The Company's Director Orientation & Continuing Education Policy also outlines the necessary continuing education of the Directors required to ensure Directors maintain the skills and knowledge necessary to meet their obligations. The GNC has taken a strong leadership role in increasing the amount of Continuing Director Education. The GNC maintains a rolling, evergreen list of topics for future Continuing Director Education sessions. This list is reviewed at every GNC meeting and supplemented by suggestions from management and Board members themselves. The GNC also tracks the scheduling of such sessions to ensure that they are priorized based on perceived value and importance.

During 2013, many Board and Committee meetings contained topics of education relevant to the Board. In fact, several Board meetings were largely dedicated to Continuing Director Education and strategy development. Our Continuing Director Education program has several components including required reading, site visits, and external and internal management presentation.

REQUIRED READING

Approximately every quarter, Directors are sent a package of reading, which contains 10 to 20 third party and industry articles that management feels would update the Board's knowledge and understanding of the Company's business. Elements of these materials that are of particular interest are often discussed in greater detail during Board meetings. Directors view the "Required Reading" program as an efficient way to remain current on trends in telecommunications, governance, compensation and other matters relevant to public companies. The "Required Reading" package often covers topics related to ethics and fiduciary duties.

SITE VISITS

The Board believes that site visits allow Directors to enhance their understanding of the Company's operations. The tours are made available to all Directors. In May of 2013, the Board toured a worksite where fibre-to-the-home is being deployed. In December 2013 they visited the Network Operations Centre (NOC) that monitors both MTS' and Allstream's networks and were provided information on its functions.

EXTERNAL & INTERNAL MANAGEMENT PRESENTATIONS

Directors are given the opportunity to attend external continuing education programs that are relevant to their duties and responsibilities as members of the Board. Our Corporate Secretary notifies the Directors of educational opportunities to solicit interest, and also provides Directors with background reading suggestions on relevant topics. Finally, our Directors are provided with regular presentations from industry experts on topics of interest or of their request.

We have a very rigorous and structured process for Director Education, including site visits and external

Directors are also required to attend all internal Continuing Director Education programs to help them stay current on corporate governance, the Company's business operations and similar matters. In addition, the Board is regularly provided with education sessions relating to the Company's strategy, business operations, key risks and competitive market environment.

DIRECTOR EDUCATION SESSIONS IN 2013

The following table describes some of these Continuing Director Education sessions (note that certain sessions have not been described in order to protect sensitive business information).

MONTH	TOPIC	PRESENTER	PRESENT
MAY	Wireless Trends – A Debrief Of The 2013 Mobile Wireless Congress	Management	Entire Board
	"Fibre-To-The-Home" – Manitoba Work Site Visit	Management	Entire Board
AUGUST	Review of Community Investment Programs	Management	Entire Board
	Disaster-Recovery Plans In Action (Allstream)	Management	Entire Board
SEPTEMBER	Information Security Breaches	Management	Entire Board
	Competitor's Approach To the Market (MTS)	Management	Entire Board
	Competitor's Approach to the Market (Allstream)	Management	Entire Board
	Network Disaster-Recovey Plans	Management	Entire Board
	Political & Regulatory Framework	Management	Entire Board
	Director Duties (Financial & Legal)	Management	Entire Board
	Information Security Breaches	External	Entire Board
	Regulatory Environment for Auditors – Current Developments	External	AC Only
NOVEMBER	Strategic Opportunities (MTS)	External	Entire Board
	Strategic Opportunities (Allstream)	External	Entire Board
	Class Action Litigation Risks	Management	Entire Board
	Labour Resources Risk Discussion	Management	HRCC Only
	Social Media (MTS)	Management	Entire Board
	Capital Structure	Management	Entire Board
	Trends in Auditing Services	Exteral	AC Only
DECEMBER	Toronto Site Vist – Network Operations Centre (NOC)	Management	Entire Board
	Social Media (Allstream)	Management	Entire Board
	Toronto Tour To Meet Employees	Managemet	Entire Board

CORPORATE STRATEGY

The Board has been very involved in reviewing our corporate strategy, and the Committees have also done significant amounts of work to support the Board in this ongoing review. Corporate strategy has been an important part of every Board meeting since before 2012.

MANDATORY RETIREMENT POLICY

The Board has adopted a policy of mandatory retirement for Directors, requiring that directors submit their resignation upon turning 72, with such resignation to be effective at the following annual meeting. An exception has been made for D.S. Schellenberg who will be eligible to serve as Director until 2017 (i.e., Mr. Schellenberg was directly impacted by changes to this policy, and a decision was made to allow him to serve an additional year). We believe this policy ensures the natural evolution of the Board.

ADOPTION OF ELECTRONIC BOARD BOOKS

The Board has transitioned to the use of electronic board books and in some cases video conferencing. This allows information to be disseminated more effectively and allows the Board to conduct its business more efficiently. The Board also believes it is important for it to embrace the kinds of technology sold by the Company itself. The use of electronic board books has also reduced the Board's use of paper, which also has the corollary benefit of reducing costs. In 2013, the Board has scheduled 25% or more of its meetings to be via video conferencing thereby further reducing its carbon footprint. This is consistent with the Company's dedication to being an environmental leader in the Canadian telecommunications industry.

NON-EXECUTIVE DIRECTORS' COMPENSATION

HIGHLIGHTS IN 2013

- ☑ In 2012, we engaged Mercer to review Directors' Compensation, and informally updated the analysis in 2013. These reviews confirmed that current retainers remain within acceptable ranges of peer benchmarking. Despite the fact that Directors have not had an increase of their retainers since January 1, 2007, it was agreed that Directors fees would once again not be increased in 2013

- ☑ It was also noted in our review process that our Board and Committees meet more frequently than many of our peers (and indeed 2013 was the busiest year yet), for which Directors are not incrementally compensated due to our use of flat-rate retainers

- ☑ Our Directors receive a minimum of $30,000 of their basic Board Retainer in share-based compensation (DCUs) that must be held until retirement from the Board. Many choose to receive more.

- ☑ Directors are required to maintain a minimum level of share ownership of 3x their basic retainer. All of our Directors who have been with the Company for 3 years or more have a share ownership of 3X their basic retainer.
- ☑ Stock options have not formed a part of non-executive Director compensation since 2004.

- ☑ All serving Directors have increased their equity ownership year-over-year.

OVERVIEW

The total Director compensation package is intended to appropriately compensate each Director, while continuing to keep each Director's interests aligned with those of the shareholders. The quantum and mix of compensation is annually reviewed by the GNC, and a recommendation is made to the Board for approval. When setting compensation for non-executive/independent Directors, the GNC considers the responsibilities, complexity and time commitment required of the Directors and benchmarks the competitiveness of the Director's compensation against other comparable Canadian corporations. In 2012, the GNC and full Board once again comprehensively reviewed the issue of Director total compensation, and asked Mercer to prepare benchmarking analysis, and informally updated the analysis in 2013. Following such reviews, it was determined that compensation levels remained generally within the ranges of our peer group, and as a result compensation levels remained unchanged for 2013. In fact, Directors have not had an increase in their retainers since January 1, 2007. The Board also agreed to maintain its "flat retainer" approach to compensation rather than a "per meeting" approach. Given the Board's excellent attendance record (all Directors are expected to attend all meetings absent extraordinary circumstances) and the relatively high number of times the Board and Committees meet in a given year, it was felt that a "per meeting" approach was unnecessary and would add unnecessary administrative work.

During the financial year ending December 31, 2013, the non-executive/independent Directors received compensation in accordance with the following standard arrangements:

ANNUAL RETAINERS AND MEETING FEES

	COMPENSATION ($)[1]
BOARD SERVICE	
Annual Retainer:	
Basic Director Retainer	90,000
Mandatory Equity Grant in DCUs to Directors[2]	Value of 30,000
Supplemental Chair Retainer	155,000
COMMITTEE SERVICE	
Committee Member (Standing Committees)	0
Supplemental Chair Retainer for the Audit Committee	55,000
Supplemental Chair Retainer for Strategic Committee (Active Quarter) [3]	10,000
Supplemental Chair Retainer for other Board Committees	20,000
Supplemental Retainer for other Strategic Committee Members (Active Quarter) [3]	5,000
MEETING FEES	
Strategic Committee Chair	2,000
Strategic Committee Members	1,500

(1) Other than the flat-fee rate retainer for members of the Strategic Committee, Directors' retainer fees have been set at the same level since January 1, 2007.

(2) All non-executive Directors are required to take a minimum of $30,000 in DCUs as part of their annual compensation. Some individuals elect to receive more DCUs as part payment of their annual retainer and meeting fees. See the Director Compensation Table for individual amounts received in cash and DCUs.

(3) This flat rate fee of $10,000 for the chair and $5,000 for the other two committee members and the Meeting Fees of $2,000 for the chair and $1,500 for the other two committee members for 2013 is incremental compensation for the 17 Strategic Committee meetings held in 2013, which represented a very significant time commitment on the part of the Strategic Committee members.

Directors are also reimbursed for travel and other out-of-pocket expenses incurred for attending Board and Committee meetings. If a Director is requested to serve on an additional Committee of the Board or if special service is required from time to time, the Governance & Nominating Committee will determine the additional compensation that will be paid to a Director in respect of such service, if any.

Each Director also receives a cash allowance of $7,200 per annum for the purpose of assisting the Directors to acquire telecommunications services and other related products and services, and therefore better understand the Company's business from the perspective of a consumer. In the past, Directors continued to receive this cash allowance following their retirement from the Board on the basis of one (1) year for every three (3) years of service. In 2012, the Board voted to discontinue this cash allowance for Directors following their retirement from the Board, with a very short period of grandfathering for certain retired Directors currently receiving this allowance.

MINIMUM SHARE OWNERSHIP REQUIREMENT

In March 2007, to further align each Director's interest with those of the shareholders and to demonstrate their individual commitment to the Company, the Board implemented a minimum equity ownership policy applicable to all non-executive Directors. Directors are required to hold Common Shares or DCUs with a minimum value equal to three (3) times the Director's annual retainer. The minimum ownership level must be achieved within five years of the requirement coming into effect (March 2012), or in the case of those Directors who were elected after March 2007, within five (5) years of becoming a Director. Directors must maintain the minimum share ownership requirements until they cease to be a Board member. As of the Record Date, 10 out of 10 of the pre-existing Directors have satisfied the minimum share ownership requirement. Further information about who has attained the minimum share ownership policy is set out in the "**Nominees for Election to the Board of Directors**" section.

The average value of common shares and DCUs owned by independent Directors is 5.49 times the annual retainer.

DIRECTORS' SHARE APPRECIATION PLAN

To ensure the economic interests of the non-executive Directors and shareholders are aligned, the Board has implemented the Directors' Share Appreciation Plan (the "DSA Plan"). The DSA Plan requires Directors to receive part of their annual compensation in deferred compensation units ("DCU"). Effective January 1, 2009, under the DSA Plan, Directors receive a minimum of $30,000 and may elect to receive up to 100% of their compensation in the form of DCUs. DCUs attract dividends in the form of additional DCUs at the same rate as dividends on the Common Shares. A Director may not redeem DCUs obtained under the DSA Plan until the Director ceases to be a Board member. Following retirement from the Board, the Director may elect which date he or she receives payment for such DCUs by providing thirty (30) days advance notice. This notice may be delivered as early as the retirement date itself, or as late as eleven (11) months following such date. As a result, Directors would receive cash payment as early as thirty (30) days following the retirement date, or as late as one (1) year following such date. The cash value of the DCUs is the weighted average of the highest trading prices of the Common Shares on any five trading days during a 30-day period following the delivery of such notice.

DIRECTOR STOCK OPTION PLAN

In 2004, the Board discontinued the granting of stock options to Directors under the Director Stock Option Plan. The Director Stock Option Plan is similar to the Stock Option Plan granted to executives and is described in further detail in the table under the heading **Direct Compensation**. There are currently no outstanding options held by non-executive Directors.

There are currently no outstanding options held by non-executive Directors.

EQUITY-BASED INVESTMENT AND YEAR-OVER-YEAR CHANGES

The combination of the minimum share ownership requirement and the DSA Plan has the effect of making a considerable portion of each Director's Compensation variable based upon share price, thereby further strengthening the alignment of shareholders' and Directors' interests. The following table details the compensation of each Director as of December 31, 2013 which is share based, the multiple of share based compensation compared to the annual retainer, and the change in value of share based compensation, compared to the previous year.

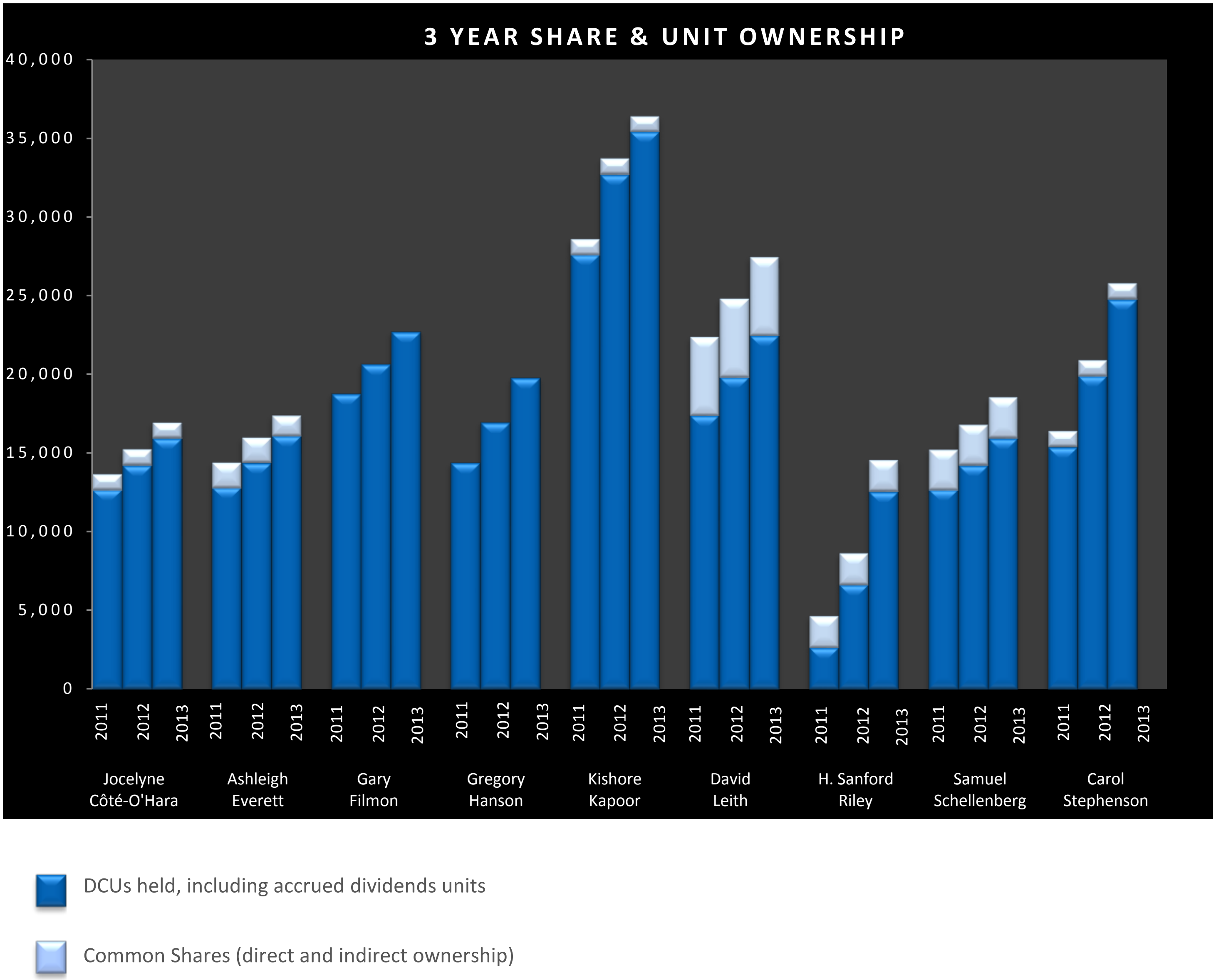
We own shares and units worth $5,800,405.

Director & Year Became A Director	Year	Number Of Common Shares Owned, Controlled Or Directed	Number Of DCUs Held	Total Number Of Common Shares & DCUS	Value Of Equity-Based Compensation Vested (1)	Minimum Share Ownership Requirement Compliance	Equity Expressed As A Multiple Of 2013 Annual Retainer(2)
Jocelyne M. Côté-O'Hara (1997)	2013	1,000	15,943	16,943	0	Attained	4.10
	2012	1,000	14,230	15,230	0		
	Net Change	0	1,713	1,713	0		
N. Ashleigh Everett (1997)	2013	1,300	16,097	17,397	0	Attained	4.21
	2012	1,600	14,376	15,976	0		
	Net Change	(300) (3)	1,721	1,421	0		
Gary A. Filmon (2003)	2013	0	22,714	22,714	0	Attained	5.50
	2012	0	20,659	20,659	0		
	Net Change	0	2,055	2,055	0		
Gregory J. Hanson (2007)	2013	0	19,769	19,769	0	Attained	4.79
	2012	0	16,953	16,953	0		
	Net Change	0	2,816	2,816	0		
Kishore Kapoor (2006)	2013	1,000	35,412	36,412	0	Attained	8.82
	2012	1,000	32,717	33,717	0		
	Net Change	0	2,695	2,695	0		
David G. Leith (2009)	2013	5,000	22,469	27,469	0	Attained	6.65
	2012	5,000	19,820	24,820	0		
	Net Change	0	2,649	2,649	0		
H. Sanford Riley (2011)	2013	2,000	12,554	14,554	0	Attained	3.52
	2012	2,000	6,618	8,618	0		
	Net Change	0	5,936	5,936	0		
D. Samuel Schellenberg (1989)	2013	2,600	15,943	18,543	0	Attained	4.49
	2012	2,600	14,230	16,830	0		
	Net Change	0	1,713	1,713	0		
Carol M. Stephenson (2008)	2013	1,000	24,800	25,800	0	Attained	6.25
	2012	1,000	19,911	20,911	0		
	Net Change	0	4,889	4,889	0		

(1) DCUs do not vest until the Director retires.

(2) The value of Common Shares and DCUs is calculated on the basis of the weighted average of the trading prices of the Common Shares on the five (5) consecutive trading days preceding December 31, 2013, which was $29.06.

(3) Disposition of Common Shares held by Ms. Everett as trustee for a third party, and not in her personal capacity.



DIRECTOR COMPENSATION TABLE

The following table sets out the total compensation paid by the Company to each non-executive Director for the fiscal year ending December 31st, 2013.

Name	Fee Breakdown			Total Fees Earned ($)	All Other Compensation (1) ($)	Total Compensation(2) ($)	Allocation of Total Compensation		Allocation of Total Fees Earned between Cash and DCUs(5) (%)
	Basic Board Retainer ($)	Chair Retainer ($)	SC Retainer ($)				Total Compensation Earned as Cash(3) ($)	Total Compensation Earned as DCUs(4) ($)	
Jocelyne M. Côté-O'Hara	120,000	-	-	120,000	7,200	127,200	97,200	30,000	75/25
N. Ashleigh Everett	120,000	20,000	-	140,000	7,200	147,200	117,200	30,000	79/21
The Honourable Gary A. Filmon	120,000	20,000	-	140,000	7,200	147,200	117,200	30,000	79/21
Gregory J. Hanson	120,000	-	-	120,000	7,200	127,200	67,200	60,000	50/50
Kishore Kapoor	120,000	55,000	92,500 (6)	267,500	7,200	274,700	244,700	30,000	89/11
David G. Leith	120,000	155,000	57,500(7)	332,500	7,200	339,700	289,700	50,000	85/15
H. S. Riley	120,000	-	57,500(7)	177,500	7,200	184,700	7,200	177,500	0/100
D. Samuel Schellenberg	120,000	-	-	120,000	7,200	127,200	97,200	30,000	75/25
Carol M. Stephenson	120,000	-	-	120,000	7,200	127,200	7,200	120,000	0/100

(1) "All Other Compensation" consists of a cash allowance for telecommunications services.

(2) "Total Compensation" does not include travel and other out-of-pocket expenses incurred by a Director in attending meetings of the Board of Directors and its Committees for which the Director receives reimbursement from the Company.

(3) This compensation was paid on the last day of each quarter during the year.

(4) This compensation was credited on the last day of each quarter during the year.

(5) Directors are only permitted to take their Basic Board Retainer and Chair Retainer as DCUs and not amounts that fall under "All Other Compensation," thus this amount is calculated by reference to the "Total Fees Earned" column.

(6) Mr. Kapoor's "SC Retainer" includes Strategic Committee Chair Retainer and Meeting Fees.

(7) In 2013, it was decided to award additional meeting fees to these two members of the strategic committee for their significant amount of work with this committee in 2012.

CORPORATE GOVERNANCE

We use an external, third-party "whistleblower" hotline.

HIGHLIGHTS IN 2013

☑ Our Board and Committees meet often, and have strong processes in places to have efficient meetings and ensure we comply with our Board and Committee charters. We regularly track our workplans against our Charters

☑ We summarize the main "themes" of all of our Board meetings.

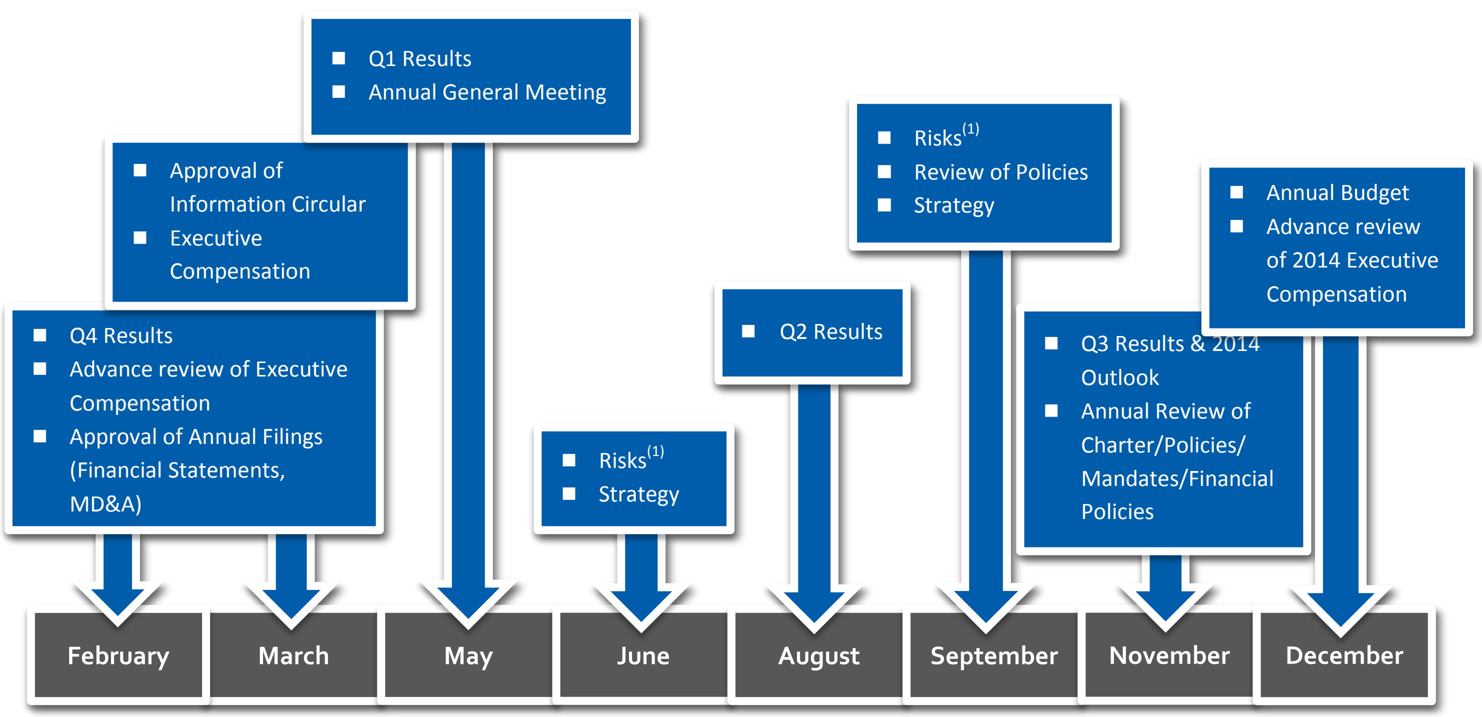
CORPORATE GOVERNANCE PRACTICES & SUBSIDIARY GOVERNANCE

We are committed to and continually strive to set and meet the highest standards of corporate governance. Our corporate governance practices are reviewed and revised regularly by the Board and its Committees to ensure we are working towards achieving such standards, meeting ever evolving practices, changed circumstance and changed needs. As a matter of first principles, our Board has been carefully nominated to ensure independence and to ensure the Board as a whole has a solid base of experience and expertise. The Board also has a set mandate and clear individual responsibilities which are detailed in Schedule A. We regularly chart our progress against these mandates.

We have two (2) material subsidiaries, MTS Inc. and Allstream Inc., in addition to an intermediary "holdco" called "MTS Allstream Holdings Inc.". Our Directors serve as directors of these three (3) Boards as well, and such meetings are held concurrently with the Company's Board meetings. For our other, non-material subsidiaries, management serves as directors of these companies.

The Board is of the opinion that the Company's corporate governance practices are properly designed to allow the Company to achieve a well-run company and ultimately increase shareholder value.

The Board meets regularly throughout the year to carry out its responsibilities and ensure adherence to corporate governance practices. The Board schedule is typically designed in a manner such that each of the eight (8) pre-scheduled meetings had a primary theme or purpose, in addition to a wide variety of other matters that come before the Board either on a pre-scheduled or ad hoc basis:



(1) As discussed under **Effective Risk Management**, the board considers and evaluates risks of all meetings. However, in June and September, there is a specific agenda allocation for more in-depth analysis.

The Board uses a Committee structure to allow issues to be examined or explored in greater detail by individuals (often with expertise in such areas). Procedurally, this allows the Board to be more effective. After taking the time to properly reflect on issues of importance, the Committees can in turn come forward with a recommendation to the Board. While ultimate decision-making authority continues to properly rest with the entire Board, the Board has had the benefit of the Committee's prior detailed review.

The Board has three (3) standing Committees:

1. The Audit Committee
2. The Governance & Nominating Committee
3. The Human Resources & Compensation Committee

In addition, the Company has from time to time established other Committees on an **ad hoc** basis to explore or deal with other matters. In 2013 the Board also had an additional Committee, known as the Strategic Committee. The Strategic Committee has the mandate to oversee and supervise the Strategic Review process conducted by the Company's senior management and external financial and legal advisors for the purpose of reviewing the future direction of the Allstream division. This Strategic Review Process culminated in the announcement of the sale of Allstream, which sale was later rejected by the Federal Government for unspecified national security concerns.

Each independent Director is a member of either the Audit Committee, or both the Governance & Nominating Committee and Human Resources & Compensation Committee. The Chair of the Board is a member of the Strategic Committee and is also an **ex officio** member of all Committees. The CEO, who is not independent, is not a member of any Committee. He is invited to attend Committee meetings, other than the **in camera** portions thereof.

The following are reports and workplans from the Company's three standing Committees. For reasons of commercial sensitivity, we are not disclosing the Workplan of the Strategic Committee, which met seventeen (17) times in 2013.

AUDIT COMMITTEE REPORT & WORKPLAN

OVERALL RESPONSIBILITIES OF THE COMMITTEE

The activities of the Audit Committee are governed by a Charter that prescribes a critical role in supporting the Board in respect of financial reporting, controls, internal and external audit, risk management, employee pension plans and the co-ordination of special studies and reviews.

The Audit Committee met eight (8) times in 2013.

MEMBERSHIP OF THE COMMITTEE

The Audit Committee is made up of four (4) independent Directors: Kishore Kapoor (Chair), Gregory J. Hanson, H. Sanford Riley and D. Samuel Schellenberg.

RELEVANT EXPERTISE AND EXPERIENCE

Each member of the Audit Committee has extensive financial expertise and a long track record in financial stewardship of private and public companies:

KISHORE KAPOOR (CHAIR): Mr. Kapoor has extensive experience in the financial services industry, including 14 years with KPMG where he had both audit and tax responsibilities for key clients. Mr. Kapoor has also served as Chair of the Audit Committee of Medicure, which was a TSX listed company and has extensive experience in managing relationships with institutional investors in Canada and the United States garnered during his time with Assante Corporation, a company that was listed on the Toronto Stock

Exchange from 1999 to 2003 and thereafter for Loring Ward International (also listed on TSX) until 2005.

GREGORY J. HANSON: Mr. Hanson is an accountant and his primary experience in corporate governance was gained in his former position as President and CEO of Wawanesa, where he served on the board since 1990. Mr. Hanson also serves on the board of James Richardson, serving as the Chair of the Audit Committee and the Compensation Committee, and also serving on two other Committees. Mr. Hanson has also attended many professional continuing education sessions and conferences directly relating to governance that were specifically developed for corporate directors.

H. SANFORD RILEY: Mr. Riley has over 25 years of experience in the financial services world as a senior operating executive. In addition to Mr. Riley's experience as a private equity investor, he has led Canada's largest mutual fund company for over a decade. Mr. Riley has also served on the Audit Committees of several other publically-traded companies.

D. SAMUEL SCHELLENBERG: Mr. Schellenberg has over 40 years of business experience both in the private and public sectors as entrepreneur, business consultant and CEO. He has been an advisor to both business and industry as start-ups and with those in financial difficulty, and has significant financial expertise.

In addition, David Leith, as Chair of the Board, is an **ex officio** member of the Audit Committee.

HIGHLIGHTS IN 2013

FINANCIAL REPORTING

- ☑ Reviewed internal and external financial reporting procedures.
- ☑ Reviewed financial statements and all other disclosure documents containing financial information.
- ☑ Assessed procedures for the review and timely disclosure of financial information derived from financial statements.

INTERNAL CONTROLS & DISCLOSURE CONTROLS

- ☑ Reviewed the effectiveness and integrity for the Company's internal controls.
- ☑ Reviewed internal control certification and customer certification reports.

INTERNAL AUDIT

- ☑ Reviewed the scope and objectives of the internal audit function and the responsibilities of the internal auditor.
- ☑ Reviewed quarterly internal audit activity reports and internal audit plans.
- ☑ Regularly met with the Director of internal audit without management present.

EXTERNAL AUDITOR

- ☑ Ran a comprehensive RFP process in 2013 in respect of external auditors, which resulted in a decision to nominate Ernst & Young LLP to be appointed the Company's auditors in 2014. The Company has had a long-standing and very positive relationship with its former external auditor, Deloitte LLP, and there were no adverse events or disagreements giving rise to this decision

We ran a comprehensive RFP process for external auditors.

- ☑ Evaluated the qualifications and performance of the Company's external auditors and implemented practices to preserve their independence.
- ☑ Recommended and oversaw the work and compensation of the external auditors.
- ☑ Reviewed and approved the annual audit plan.
- ☑ Received reports on the external auditors' internal quality control procedures, independence and confidentiality procedures.
- ☑ Regularly met with external auditors without management present.
- ☑ Assessed and reported to the Board on independence and performance of external auditors.

RISK MANAGEMENT

- ☑ Held primary responsibility for reviewing management's identification of all of the Company's key principal risks, and then delegated each of such risks for more detailed analysis and review.
- ☑ Monitored principal risks relating to responsibilities of the Committee.
- ☑ Reviewed adequacy of insurance reports.

EMPLOYEE PENSION PLANS

- ☑ Reviewed the governance, investment performance, funding, and administration of the Company's pension plans

OTHER PROJECTS

- ☑ Reviewed and approved amendments to the Corporate Disclosure Policy.
- ☑ Reviewed the Financial Authorization Policy.
- ☑ Reviewed disclosures made to it by the CEO and CFO during their certification process.
- ☑ Undertook a comprehensive Pension Plan Risk Management Study.
- ☑ Reviewed the Audit Committee Charter

The Audit Committee is satisfied that it has fulfilled its responsibilities set out in its Charter for the year ending December 31, 2013. This summary report has been approved by the members of the Audit Committee.

GOVERNANCE & NOMINATING COMMITTEE REPORT & WORKPLAN

OVERALL RESPONSIBILITIES OF THE COMMITTEE

The activities of the GNC are governed by a Charter that prescribes a critical role in supporting the Board in monitoring the Board's efficacy (including matters such as overseeing the role, composition, structure and effectiveness of the Board and its Committees), developing and implementing a rigorous process for the nomination of future Directors, ensuring the Company's approach to corporate governance is in accordance with best corporate practices and applicable laws and policies, monitoring disclosure in the Company's information circular and other risk management activities and, in conjunction with the HRCC, planning for CEO succession.

The GNC met eight (8) times in 2013.

MEMBERSHIP OF THE COMMITTEE

The Governance & Nominating Committee is made up of four (4) independent directors: N. Ashleigh Everett (Chair), Jocelyne M. Côté-O'Hara, Gary A. Filmon and Carol M. Stephenson.

RELEVANT EXPERTISE AND EXPERIENCE

Each member of the GNC has extensive expertise in the governance of public companies, and collectively have an in-depth understanding of the importance of the role of director selection and self-evaluation in the creation of a top-performing board.

N. ASHLEIGH EVERETT (CHAIR): Ms. Everett has a strong background in respect of corporate governance, and has served on the Corporate Governance and Pension Committee of The Bank of Nova Scotia from 2002 to present, becoming Chair of the Committee in 2009. Ms. Everett has also held corporate governance rolls on a wide range of private and not-for-profit boards over many years. Ms. Everett has also attended many professional continuing education sessions and conferences directly relating to governance that were specifically developed for corporate directors.

JOCELYNE M. CÔTÉ-O'HARA: Ms. Côté-O'Hara has pursued and promoted good governance rules and practices on the many not-for-profit and corporate boards she has served in the past 30 years. In the early 80's she spent several years at the Treasury Board of Canada developing a regime for the governance of Crown Corporations ensuring greater transparency and accountability. In all her subsequent Board work, whether it was a hospital or a US subsidiary of a multinational or a government research granting council, she encouraged disclosure and openness and the adoption of structures and practices that carried the label of excellent governance.

GARY A. FILMON: Mr. Filmon has served on the Governance and Nominating Committees of six (6) publicly-traded companies for a cumulative total of more than 30 years. He is also currently Chair of the board of two (2) other corporations: Exchange Income Corporation and FWS Holdings Limited and member of the Board of the Institute of Corporate Directors for Canada. Mr. Filmon has also attended many professional continuing education sessions and conferences directly relating to governance that were specifically developed for corporate directors.

CAROL M. STEPHENSON: Ms. Stephenson serves on Governance Committees of three (3) other public companies; Intact Financial, Ballard Power Systems (Chair), and General Motors Company, and has served on many for-profit and not-for-profit boards in the past. Ms. Stephenson is very familiar with governance practices and trends in governance, having attended many professional continuing education sessions and conferences directly relating to governance that were specifically developed for corporate directors, and delivers presentations on the topic.

In addition, David Leith, the Chair of our Board, is an ex-officio member of the GNC.

HIGHLIGHTS IN 2013

SIGNIFICANT ENHANCEMENTS TO DIRECTOR EDUCATION PROGRAM

- ☑ Action plan to materially increase the amount of Director education programs, with focused input from both directors and management to ensure the topics are relevant to the Board.
- ☑ At every meeting, the GNC reviews the "register" of past and planned director education sessions and provides input and suggestions to enhance the program

CEO SUCCESSION PLANNING

- ☑ Regularly-scheduled meetings to review CEO succession.

CORPORATE SOCIAL RESPONSIBILITY "CSR"

- ☑ Amended GNC Charter to confirm that the GNC is responsible for the Company's Corporate and Social Responsibility mandate

IMPROVING CONTINUOUS DISCLOSURE & INTRODUCING BEST GOVERNANCE PRACTICES

- ☑ Continuation of work begun in 2010 to significantly enhance the Company's governance practices and disclosure of the same, including a meeting with the CCGG to receive its feedback on our disclosure practices.
- ☑ Ensured management and Board was regularly meeting with stakeholders

DIRECTOR QUALIFICATION

- ☑ Reviewed regularly the current Board skills and expertise and performed "gap" analysis.
- ☑ Updated the format / structure of the "gap" analysis to better reflect the Board's needs and expecations

BOARD SIZE & SUCCESSION PLANNING

- ☑ Ran a comprehensive RFP process for an external search firm, which was used in 2014 to assist the Director Search Sub-Committee in its 2014 recruitment process in advance of the upcoming AGM

Ran a RFP process for external search firm used for director recruitment.

- ☑ Ongoing review of Board and Committee composition and sizes, viewed from the perspective of the matrix of the Directors' Skills and Experiences, to ensure the Board and its Committees were properly composed and was well-positioned to deal with known pending retirements.

MONITOR BOARD PERFORMANCE

- ☑ Comprehensive review of Director, Board and Committee performance, as described in more detail in the section entitled Evaluation of Board and Committee Performance, above.

OTHER GOVERNANCE MATTERS

- ☑ Undertook a review of the role of the Board in managing the Company's risks.
- ☑ Conducted an annual review of Director and Chair compensation levels to confirm that no increase or other change was required.
- ☑ Undertook a comprehensive review of the GNC's annual work plan.
- ☑ Reviewed and updated a majority of the Company's key policies and charters, including an amendment to clarify the Company's position on making political donations.

RISK MANAGEMENT

- ☑ Monitored principal risks relating to responsibilities of the GNC.

The Governance & Nominating Committee is satisfied that it has fulfilled its responsibilities set out in its Charter for the year ending December 31, 2013. This summary report has been approved by the members of the Governance & Nominating Committee.

HUMAN RESOURCES & COMPENSATION COMMITTEE REPORT & WORKPLAN

OVERALL RESPONSIBILITIES OF THE COMMITTEE

The activities of the HRCC are governed by a Charter that prescribes a critical role in supporting the Board in respect of all matters relating to the Company's human resources issues, including the development and implementation of a framework for the compensation of the CEO and other key executives.

In discharging these responsibilities, the HRCC is now assisted by Hugessen Consulting as an external advisor that specializes in compensation. The role of Hugessen is described in **"Role of External Compensation Consultant in Executive Compensation"** below.

The HRCC met eight (8) times in 2013.

MEMBERSHIP OF THE COMMITTEE

The Human Resources & Compensation Committee is made up of four (4) independent directors: Gary A. Filmon (Chair), N. Ashleigh Everett, Jocelyne M. Côté-O'Hara, and Carol M. Stephenson.

RELEVANT EXPERIENCE AND EXPERTISE

Each member of the HRCC has a wide range of specific human resources and pension experience prior to serving on our Board, ranging from public sector to private sector, private company to public company, practical "hands-on CEO experience" to academic training:

GARY A. FILMON (CHAIR): Over the course of over 11 years, Mr. Filmon has served on the Compensation Committees of 4 different public companies for a cumulative total of more than 20 years, and as Chair of the Treasury Board for the Government of Manitoba, Mr. Filmon supervised the negotiation process for all provincial government employees.

JOCELYNE M. CÔTÉ-O'HARA: Ms Côté-O'Hara has served as a member and chair of human resources and employee relation committees of both public and private enterprises. She chaired the Executive Compensation Committee of Xerox Canada for close to a decade and assumed the chair of the Employee Relations and Pension Committee of Ryerson University for the past eight (8) years. Over the course of her career Ms Côté-O'Hara has led or participated in many Government task forces and councils which dealt with the selection, compensation, retention and discipline of senior personnel. These include the Ontario Judiciary Council, the RCMP Reform Implementation Council and the Task Force on Barriers to Women in the Federal Government.

N. ASHLEIGH EVERETT: Ms. Everett has had prime business accountability for, and extensive experience with, the design and implementation of executive compensation plans in her capacity as President and Corporate Secretary of Royal Canadian Securities. In addition, Ms. Everett obtained public company compensation expertise while serving on the Human Resources Committee for The Bank of Nova Scotia for seven years.

CAROL M. STEPHENSON: Ms. Stephenson serves on the Human Resource and Compensation Committee of 3 other public companies: Intact Financial (Chair), Ballard Power Systems (Chair) and General Motors Company. She was also Chair, for more than 10 years, of the federal government's Senior Level Compensation and Retention Committee which advised on executive compensation and human resource practices. Previously, she served on the board of Ontario Teacher's Pension Plan and has considerable experience in pension matters. As CEO of Stentor Resource Centre and Lucent Technologies in Canada, she has considerable private sector experience in the design and implementation of compensation plans.

In addition, David Leith, the Chair of our Board, is an **ex-officio** member of the HRCC. Over the last year, Mr. Leith has had an active role in the HRCC and has been closely involved in all of its deliberations.

HIGHLIGHTS IN 2013

COMPENSATION CONSULTANT

- ☑ Ran a comprehensive RFP process for an independent compensation consultant, resulting in Hugessen being appointed to advise the Committee
- ☑ The new external compensation consultant is 100% independent and does not provide any services to management.

"SAY ON PAY"

- ☑ Reviewed and recommended holding our third "say on pay" advisory vote.

STRATEGIC REVIEW PROCESS

- ☑ Oversaw and supervised complex HR issues arising in connection with the Allstream Strategic Review and sale process

SUCCESSION PLANNING AND HUMAN RESOURCE DEVELOPMENT

- ☑ Reviewed and made recommendations to the Board regarding the succession plan for all executive-level positions, including the status of development activities for key high potential individuals and contingency "short term" planning.
- ☑ Oversaw significant changes to the executive organizational structure, with a large amount of downsizing and executive "refresh" occurring

COMPENSATION PRACTICES

- ☑ Carefully set the CEO's and each senior executive's compensation structure.
- ☑ Individually evaluated the performance of the CEO and reviewed other senior executives
- ☑ Reviewed and updated compensation structure, including STI and LTI performance factors.

MONITORING CONTINUOUS DISCLOSURE

- ☑ Ensured appropriate disclosure in this circular.
- ☑ Reviewed third party reports and assessments of the Company's disclosure practices.

RISK MANAGEMENT

- ☑ Monitored principal risks relating to responsibilities of the Committee.

OTHER MATTERS

- ☑ Reviewed the HRCC Charter.
- ☑ Received updates on the status of the collective bargaining process with the Company's various unions.
- ☑ Reviewed the new ISS methodology.

The Human Resources & Compensation Committee is satisfied that it has fulfilled its responsibilities set out in its charter for the year ending December 31, 2013. This summary report has been approved by the members of the Human Resources & Compensation Committee.

STRATEGIC COMMITTEE REPORT

OVERALL RESPONSIBILITIES OF THE COMMITTEE

The Strategic Committee is an **ad hoc** committee formed by the Board in 2013 to conduct a wide-ranging strategic review process in respect of the Company's Allstream, with the specific mandate of considering a full range of alternatives that could be undertaken to enhance Allstream's competitiveness. This strategic review process was announced in September 2012, with the assistance of external legal advisors, as well as CIBC World Markets and Morgan Stanley as financial advisors.

The Strategic Committee met seventeen (17) times in 2013.

MEMBERSHIP OF THE COMMITTEE

The Strategic Committee is made up of three (3) independent Directors: Kishore Kapoor (Chair), David Leith and H. Sanford Riley.

RELEVANT EXPERTISE AND EXPERIENCE

Each member of the Strategic Committee has extensive financial, strategic and M&A experience.

Due to reasons of commercial and competitive sensitivity associated with the strategic mandate of the Committee, further details of the workplan are not being publicly disclosed.

EXECUTIVE AND CEO SUCCESSION PLANNING

Executive succession planning is one of the responsibilities of the HRCC. CEO succession planning is dealt with jointly by the HRCC and the GNC, it is also a matter discussed at the Board level.

In addressing executive succession planning, the HRCC carefully reviews the role, skill set and transferability of all senior executives of the Company. For each individual, this discussion includes an analysis of short- and mid-term succession plans. To the extent any meaningful gaps exist, management is asked to take steps to address the situation and report back to the HRCC. The HRCC believes that executive succession planning is well addressed within the Company. The Directors often meet and familiarize themselves with all senior executives and other high potential employees both on an informal social basis (e.g., through dinners, director education sessions and facilities tours), and on a more formal basis by inviting such individuals to make Board and Committee presentations.

This year, the Directors continued their practice of reviewing the issue of CEO succession planning, addressing both the short-term "interim" action plans, including an emergency need for an immediate replacement, as well as views as to long-term succession. The Directors monitor the pro-active steps prescribed to be taken in order to improve the range of available options in the event of CEO succession. This process includes steps to strengthen internal candidates as well as maintaining an "evergreen" list of potential external candidates. Finally, the CEO is required to provide a report not less than every six (6) months containing a review of the high potential candidates, their strengths, and the plans to develop their skill sets to meet the requirements of the CEO position. The Board continues to develop contingency plans and maintain a more comprehensive "evergreen" list.

On the issue of executive succession, in 2013 the HRCC oversaw significant amounts of reductions in the executive ranks, leading to a more lean and efficient executive team. Through this process, there was also an opportunity for refresh and rejuvenation to bring forward new perspectives and ideas to the executive table.

SHAREHOLDER ENGAGEMENT

We believe it is important to have effective two-way communication between the Company and those that have taken a financial stake in our success. To provide shareholders with timely information and provide an opportunity for meaningful feedback the Company engages in a number of communications practices. Each quarter, management hosts a conference call or in-person meeting open to the public where senior management reviews highlights from the quarter and takes questions from members of the analyst community. We also hold face-to-face sessions when delivering our annual financial outlook, where investors and shareholders can interact directly with the senior management team. All shareholders can make their views known to management or the Board in different ways such as email or in person at our annual general meeting. A key component of our engagement process is to ensure the CEO and CFO are accessible to shareholders, and we participated in most Canadian telecommunications and analyst conferences. This year, the CEO and CFO held over fifteen (15) individual meetings with current and potential shareholders and made four (4) investor presentations.

To ensure our shareholders have a venue to convey their suggestions or concerns, shareholders are encouraged to contact the Board through the Investor Relations Office, by email at: investor.relations@mtsallstream.com or by telephone at 1-888-544-5554.

We believe that the foundation for strong shareholder communication is sound disclosure. As such, we have changed the format of this Circular in an effort to provide you with more information in a more accessible format.

The Board has decided that "say on pay" is an important component of shareholder engagement. This is a key pillar of our engagement policy, as it will allow all shareholders to voice their opinion on compensation provided to the executives. More information on the "say on pay" policy can be found under the heading **"Advisory Vote on Executive Compensation"** of this Circular.

EXECUTIVE COMPENSATION

HIGHLIGHTS OF EXECUTIVE COMPENSATIONPHILOSOPHY:

- ☑ Our compensation philosophy is based upon enhancing shareholder value, "pay for performance", retaining talent and effective risk management. We explain the direct linkage between our business plan / strategic objectives, and the specific metrics and goals we select to form the basis of incentive-based pay. We position our compensation at the "P50" level.

- ☑ Our approach to compensation has proven effective and our compensation structure effectively aligns the interests of shareholders with management. With our new independent compensation consultant, Hugessen, we will be completing a comprehensive re-benchmarking process in 2014, as our ranges have been frozen since 2010.

- ☑ We are once again pleased to offer our "Say on Pay" vote, where we chose to use the model policy of the Canadian Coalition for Good Governance (CCGG).

- ☑ Our NEOs have from 58% to 80% of their compensation "at risk".

- ☑ Commencing in 2011, we added the concept of Relative Total Shareholder Return (TSR) into our PSUs' performance objectives.

- ☑ NEOs are required to hold between 1.5X to 3X their individual salary in Common Shares or share units, depending on their level within the Company. All of these holding requirements have been exceeded by wide margins. The CEO holds almost 7.7X his individual salary, and in fact is now one of our largest individual shareholders.

- ☑ 92% of our executives have met their share ownership requirements; those who have not yet done so are ahead of target for meeting such requirements within the time frame allotted.
- ☑ Our executives do not receive "tax gross-ups" or other forms of supplemental payments to cover the obligations to pay taxes, and are prohibited from "monetizing" their share or unit ownership.
- ☑ 100% of HRCC meetings included an in-camera session, and our HRCC is advised by independent legal counsel.

OUR COMPENSATION PHILOSOPHY AND PRINCIPLES

Philosophically, we want to build and sustain long-term shareholder value through a motivated and focused executive team whose interests are aligned with the Company's goals and an executive compensation program based on the following principles:

ALIGNMENT OF COMPENSATION WITH THE CORPORATION STRATEGY

ALIGNMENT OF COMPENSATION WITH THE COMPANY'S STRATEGY

Executive awards must be linked to our short, medium and long-term strategic objectives with "pay for performance" compensation practices. These objectives are discussed in greater detail in our MD&A and Annual Report.

ALIGNMENT WITH SHAREHOLDERS' INTERESTS

ALIGNMENT WITH SHAREHOLDERS' INTERESTS

Executives will be rewarded for contributing to a high return on shareholders' investment, and likewise, their reward levels will be affected by a lower return on shareholders' investment. Use of equity-based compensation and minimum share ownership guidelines are intended to cause executives to act like owners.

EFFECTIVE RISK MANAGEMENT

EFFECTIVE RISK MANAGEMENT

Total compensation structure must encourage management to take risks that are appropriate and responsible, and to manage those same risks effectively.

ATTRACTING & RETAINING TALENT

ATTRACTING AND RETAINING TALENT

Executive total compensation target is set to ensure it remains relevant to the markets in which the Company competes for talent, both inside and outside the industry.

NEW IN 2014

Before commencing our 2013 Compensation Discussion & Analysis "CD&A", we would like to provide a quick overview of where the program is headed in 2014.

In February 2014, the Company introduced the following enhancements to its executive compensation structure:

- Increased weighting to PSUs – now performance factors apply to **50%** of LTI
- Performance periods for a majority of PSUs now increased to **3 years**
- **Refinement** of Relative TSR measurement calculations
- Greater **customization** of both VPP and PSUs applicable for each of the two divisions, MTS and Allstream
- Significant **simplification** of measurements of **customer satisfaction**, with more challenging targets
- Due to streamlining of executive structure, a **34% reduction in total direct compensation costs**

SELF-REPORTING AGAINST CCGG's COMPENSATION PRINCIPLES

Our Board is comfortable with its compensation philosophy as effectively representing shareholder interests. CCGG recently announced their six (6) "Compensation Principles", and we would like to self-report against CCGG's principles.

PRINCIPLE 1

A SIGNIFICANT COMPONENT OF EXECUTIVE COMPENSATION SHOULD BE "AT RISK" AND BASED ON PERFORMANCE.

We agree. Our NEOs have 58% to 80%of their compensation "at risk". Our Circular provides a considerable number of datapoints demonstrating that our NEO's realized pay is heavily influenced by performance, and is also linked to our shareholders' total shareholder return.

PRINCIPLE 2

"PERFORMANCE" SHOULD BE BASED ON KEY BUSINESS METRICS THAT ARE ALIGNED WITH CORPORATE STRATEGY AND THE PERIOD DURING WHICH RISKS ARE BEING ASSUMED.

We agree. We spend a lot of time thinking about appropriate metrics for our PSU and Variable pay awards. In the past, this has been heavily weighted towards revenue, EBITDA and growth products EBITDA. In 2011, we added Relative TSR into the mix. In 2013, as our corporate strategy (and shareholders' expectations) continue to evolve, we once again adjusted our performance metrics to have a greater focus on growing free cash flow (FCF) and continued emphasis on Relative TSR.

PRINCIPLE 3

EXECUTIVES SHOULD BUILD EQUITY IN THE COMPANY TO ALIGN THEIR INTERESTS WITH THOSE OF SHAREHOLDERS.

We agree. Our NEOs, on average, hold equity and units worth 4.8 times their annual base salary, and this number continues to grow every year. Every year, our CEO acquires more shares when his units vest, and he has not sold any of such shares since joining the Company. As a result, our CEO now holds 272,631 shares and units, and is one of our larger known individual shareholders.

PRINCIPLE 4

A COMPANY MAY CHOOSE TO OFFER PENSIONS, BENEFITS AND SEVERANCE AND CHANGE-OF-CONTROL ENTITLEMENTS. WHEN SUCH PERQUISITES ARE OFFERED, THE COMPANY SHOULD ENSURE THAT THE BENEFIT ENTITLEMENTS ARE NOT EXCESSIVE.

We agree. The total compensation package we offer our executives, including benefits, is reasonable. In fact, many of our executives remain below the mid-point of their range, which was set on a P50 basis. Fundamentally, we approach the hiring executives on a pragmatic basis, and believe that our shareholders expect us to retain the most qualified executives. Our CEO's pension entitlements (which have reached their maximum level now that our CEO has reached the age of 55) and his 3x entitlement following a change-of-control were granted at a time when market practices were different. As well, this recruitment was undertaken at a time when it was unsure whether the Company would soon be "in play" and, as a result, the CEO required these provisions as a protection for accepting employment. For these reasons, we do not believe any of our executives' total compensation packages, including benefit entitlements, are "excessive".

PRINCIPLE 5

COMPENSATION STRUCTURE SHOULD BE SIMPLE AND EASILY UNDERSTOOD BY MANAGEMENT, THE BOARD AND SHAREHOLDERS.

We agree. Our compensation structure is not complex, and is fully disclosed and understood by all interested parties. We have never heard complaints about the complexity of our compensation structure and, in fact, ISS specifically noted that "the Company's compensation programs and its Compensation Discussion and Analysis are simple and straight forward".

PRINCIPLE 6

BOARDS AND SHAREHOLDERS SHOULD ACTIVELY ENGAGE WITH EACH OTHER AND CONSIDER EACH OTHER'S PERSPECTIVE ON EXECUTIVE COMPENSATION MATTERS.

We agree, and we "walk the walk". In the last two (2) of three (3) years, the Chairs of our Board, Audit Committee, HRCC and Governance Committee met with CCGG. In addition, in 2013, we met with over 15 shareholders and presented at many investor conferences. We are willing to meet with our stakeholders, as we believe in open communication and dialogue.

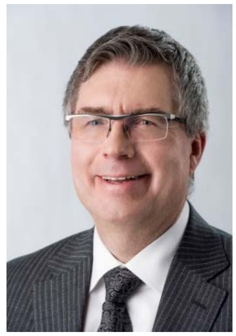
STRUCTURE OF COMPENSATION DISCUSSION & ANALYSIS

The HRCC works with an external compensation consultant to develop and track our new approach to executive compensation. In our CD&A, we disclose all aspects of our compensation program, and provide a wide variety of data points to show how we aim to ”pay for performance” and link the interests of our executives to those of our shareholders.

OUR NAMED EXECUTIVE OFFICERS (“NEOS”) ARE:

PIERRE J. BLOUIN
Chief Executive Officer

WAYNE S. DEMKEY
Chief Financial Officer



KELVIN A. SHEPHERD
President MTS

DEAN L. PREVOST *
President Allstream

PAUL A. BEAUREGARD
Chief Corporate and Strategy Officer & Corporate Secretary

* Dean Prevost retired in January 2014 and has been replaced by Michael Strople

REVIEWING THE COMPANY’S COMPENSATION PHILOSOPHY

In 2010, the HRCC undertook an extensive review of executive compensation conducting comprehensive external market research. This process led to a decision to transition from paying at a “P60” level to paying at a “P50” level, as well as the introduction of a more relevant Comparator Group. Since introducing our new compensation framework, the HRCC did not want to introduce significant changes to compensation philosophy, but rather focused on tracking results against the Company’s operational, financial and strategic objectives. There had been plans to update this work earlier, though these plans had been placed on hold pending the outcoming of the strategic review process in respect of the Allstream division. Through 2014, we have a workplan to update our Comparator Groups and benchmarks, utilizing Hugessen, the new independent advisor to the HRCC.

ROLE OF THE HRCC IN EXECUTIVE COMPENSATION

The HRCC is responsible for making recommendations to the Board in respect of executive compensation and succession planning. As an ex officio member of the HRCC, the Chair of the Board has also been actively involved in such matters. The following table highlights some of the key agenda items discussed during 2013 by the HRCC.

AGENDA ITEMS	FEBRUARY 2013	MARCH 2013	JUNE 2013	AUGUST 2013	SEPTEMBER 2013	NOVEMBER 2013	DECEMBER 2013
Executive Compensation	■	■	■	■			■
Executive Succession Planning [(1)]			■		■		
Review HRCC Objectives & Charter							■
CEO and Executive Performance	■						
Circular Disclosure	■	■					■
HR & Labour Risks					■		

(1) Accountability for the CEO succession planning rests with the Governance & Nominating Committee and is reviewed periodically by the Board of Directors.

EXTERNAL COMPENSATION CONSULTANT AND INDEPENDENT COUNSEL

Prior to the RFP process for an independent external compensation consultant, the HRCC had engaged Mercer since 1997 as its advisor on executive compensation and governance issues. Management had also utilized the services of Mercer, although approximately 50% to 75% of these services had been usually used for the Board of Directors and the HRCC.

Over the past two (2) years, the following fees were paid to Mercer and Hugessen:

ACTIVITY	YEAR	CONSULTANT	FEE	PERCENTAGE OF TOTAL ANNUAL FEE
Work for HRCC and Board	2013	Hugessen	$38,090	100%
		Mercer	$36,592	100%
	2012	Mercer	$93,237[(1)]	65%
All Other Fees[(2)]	2013	Hugessen	$0	0%
		Mercer	$0	0%
	2012	Mercer	$48,699	35%

(1) In 2012, a significant component of these fees related to Mercer's work to conduct a benchmarking of Director Compensation.
(2) Work done in 2012 at the request of management, including pension consulting and health and benefits consulting and surveys.

As the external advisor, Hugessen's accountabilities to the HRCC include:

- Assisting the HRCC in developing an appropriate compensation package for the CEO;
- Reviewing management's recommendations regarding compensation framework and incentive designs, and providing advice to the HRCC in respect of same;
- At the request of the HRCC, presenting executive and director compensation, and governance trends;
- Being available to attend HRCC meetings, in person or by conference call.

Decisions made by the HRCC, however, always remain the responsibility of the HRCC and may reflect factors and considerations other than the information and recommendations provided by Hugessen.

Hugessen is 100% independent from management and does not provide any services to management.

Often the consultant provides recommendations and advice to the HRCC in an **in camera** session where management is not present. This approach enhances the HRCC's ability to receive objective advice from the consultant and is consistent with best governance practices.

The HRCC has also extensively relied on the services of independent legal counsel, both at HRCC meetings themselves and between meetings on an *ad hoc* basis.

USE OF EXTERNAL REFERENCES AS BENCHMARKS

PEER GROUP COMPARATORS / MARKET POSITIONING

Executive compensation is approached by reviewing what our "peers" are doing. The practices of our peer group help establish benchmarks and compare the performances of both individuals and the Company as a whole. However, the actual composition of the "peer group" is an important determination, as it can significantly affect the end result of the review process. After significant internal discussion and after hearing the views of Mercer, we agreed to use a single comparator group with the following characteristics:

COMPARATOR GROUP

- A mix of 22 communications and general industry companies, with the expectation that a larger group would reduce variability year-over-year. In selecting this group, it was considered important to include several Manitoba-based companies in order to reflect factors unique to the provincial market;
- Includes a number of communications companies because (a) it allows us to observe the impact of the larger Canadian communications industry included in the group, and (b) it accurately reflects an aspect of the Company's "competition" in the labour market; and
- Includes companies in a "general industry group", formed by selecting companies near the Company's size, while ensuring that several of those companies have meaningful Manitoba-based operations.

In 2014 we are reviewing our comparator group.

Based on the above criteria, and with the assistance of the former external compensation consultant to the HRCC, the Company established the following group (the "Comparator Group"):

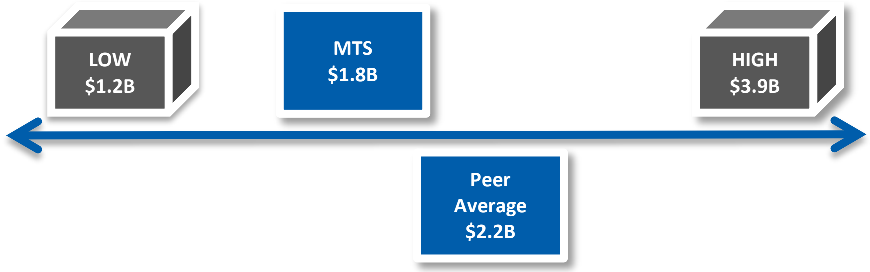
COMPARATOR GROUP*

Astral Media Inc.	Emera Inc.	Rogers Communications
ATCO Ltd.	Fortis Inc.	Shaw Communications
BCE Inc.	Gaz Metropolitan	TELUS Corp.
Bell Aliant Inc.	HudBay Minerals Inc.	Torstar Corp.
Cameco Corp.	IGM Financial Inc.	Transcontinental Inc.
Cogeco Inc.	Methanex Corp.	WestJet Airlines Ltd.
CORUS Entertainment Inc.	North West Company Inc.	Yellow Media Inc.
	Precision Drilling Corp.	

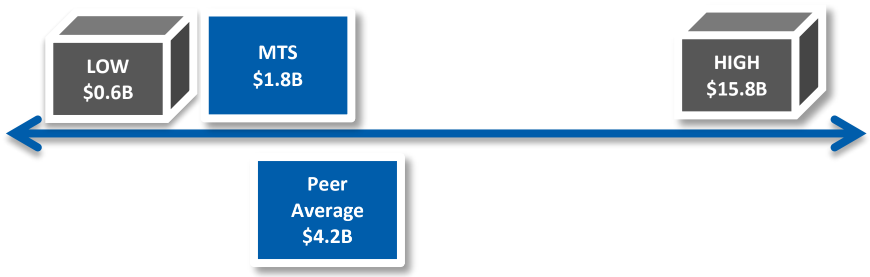
To ensure that the Comparator Group benchmarks against like-sized companies, the largest three (BCE, Rogers Communications and TELUS) and smallest three companies (Astral Media, CORUS Entertainment and Hudbay Minerals) in the full comparator group are only used as a secondary comparator group source and not for the primary purpose of direct benchmarking. The remaining companies within the Comparator Group have the following financial characteristics, represented in comparison to the Company as at December 31, 2010:

* As at December 31, 2010 certain of these companies no longer exist, but did at the time of the relevant benchmarking process.

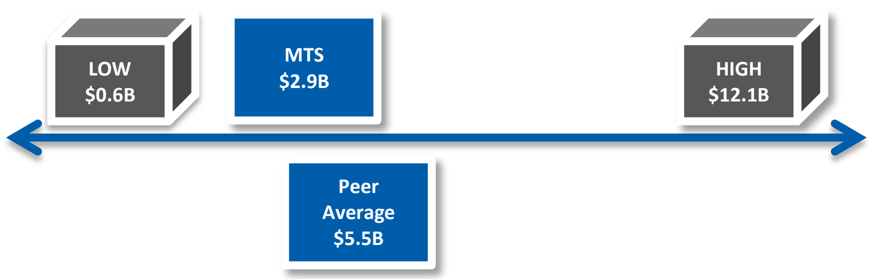
RANGE OF OPERATING REVENUE



RANGE OF MARKET CAPITALIZATION



RANGE OF ASSETS



The Company expects to update its Comparator Group over the course of 2014 and has established a clear workplan to ensure this is completed.

BENCHMARKING AGAINST COMPARATOR GROUP

Our total compensation levels, fixed and variable components, are designed to reward executives at a level which is at the median of the market (50th percentile), or what is known as "P50". At the same time, we understand that we cannot be so categorical in our P50 philosophy that it deprives our shareholders of access to the necessary management expertise. By way of example, for certain executive roles, we require individuals with specialized telecommunications experience. When hiring and retaining this talent, we are operating in a highly competitive labour market with companies such as Bell, TELUS, Rogers and US telecommunication providers. These companies are significantly larger than us and, as a result, tend to pay compensation levels that are higher than the P50 level of our Comparator Group. As a result, we believe it is prudent to reserve the flexibility to deal with key hires on an "as required" basis.

> We target "P50" compensation levels.

BUILDING BLOCKS OF EXECUTIVE COMPENSATION

DIRECT COMPENSATION

The executive compensation program applies to all of the executives at the Company, including NEOs, and consists of fixed and at-risk compensation, provided in a mix of cash and equity based compensation. While indirect compensation such as pension, benefits and perquisites make up a portion of each executive's compensation, the main components of the total direct compensation structure are as follows:

Total Direct Compensation Target = **Base Salary** + **Annual Variable Pay Plan ("VPP")** + **Performance Share Units ("PSUs")** + **Restricted Share Units ("RSUs")** + **Stock Options**

Base Salary

Based on market competitiveness and individual qualifications, experience and performance. Base salaries are benchmarked externally against comparable roles (whenever possible) in our Comparator Group to ensure market competitiveness. Job evaluation is also used as not all executive roles have valid external peers. Individual base salaries may be adjusted to reflect individual employee marketability, qualifications, experience and performance. Base salaries are reviewed annually.

VPP

An annual cash incentive based on achieving annual company, business unit and individual performance targets. These targets take the form of short-term financial and operating metrics and strategic personal objectives, all focused on positioning the Company for present and future success. These targets have a greater emphasis on free cash flow growth in 2013. The Company believes that the use of financial targets such as free cash flow EBITDA, business unit performance and customer satisfaction are the variables that are correlated to the long term, sustainable financial strength of the Company. Targets are set at levels believed to be challenging, yet at the same time realistically attainable given industry trends and the performance of our peers and competitors, and are also correlated to the same variables and metrics that form the base assumptions in the Company's financial guidance.

For 2013, VPP was calculated as follows:

Base Salary × **VPP Target** × **Factors** = **VPP Payout**

VPP Target: VPP Target depends on individual's role/seniority (35% - 85% of annual base salary)

Factors:

FINANCIAL FACTORS

- Weightings vary by level and business unit
- Company performance = free cash flow [1]
- Business unit performance = EBITDA, free cash flow, and customer satisfaction
- Adjustment range = 0% to 150% of target (200% for the CEO)

PERSONAL & STRATEGIC FACTORS

- Varies by individual, based on the Company's business unit priorities, as well as personal development goals
- Adjustment Range = 0% to 150% of target (200% for the CEO)

VPP Payout: Payout ranges from 0% to maximum of 150% of individual VPP target (200% for CEO), or 0% to 97.5% of Base Salary (170% for CEO)

[1] Some of the non-IFRS financial terms used herein are discussed in Appendix 2.

PSUs

Medium-term incentives, typically granted to executives to promote retention and to help align executive and shareholder interests. In particular, the performance objectives associated with PSUs are set by the Board in a manner that only rewards executives when these hurdles are met during a specified period of time. At the end of such period of time, actual results are measured against the objectives to determine what, if any, portion of the PSUs will vest and be paid out.

PSUs vest from 1 to 3 years from the date of grant (assuming at least threshold achievement of the performance objectives), but are only available to those employees who remain in the Company over the vesting period. Except in extraordinary circumstances requiring Board approval or in the case of a qualified retirement, employees who cease employment before the vesting date forfeit their PSUs. During the vesting period, the PSUs attract dividend units equivalent to the dividends paid on our Common Shares, if any. If and to the extent the PSU objectives have been met, the PSUs will be paid out following the vesting date, based upon a calculation determined using a weighted average share price.

Vested PSUs may be paid in cash, Common Shares or a combination thereof, at the option of the PSU recipient. The only exception to this is in respect of the CEO. Pursuant to his employment agreement, a portion of his vested PSUs may be paid in cash, equal to the income taxes payable by the CEO in relation to these vested PSUs. The balance of the payout amount is used to buy Common Shares of the Company in the open market. These Common Shares must be held by the CEO until his employment with the Company ceases, or in some cases, for a period of 3 years following the date of grant.

For 2013, value of realized PSUs was calculated as follows:

PSU Held × **Weighted Average Share Price** × **Performance Factors** = **PSU Payout**

- For 2013, the Board approved PSU performance objectives in relation to operating cost reductions, IP revenue growth, and relative Total Shareholder Return (TSR).

RSUs

Medium-term incentives granted to executives to promote retention and help align executive and shareholder interests. Unlike PSUs, RSUs involve no specific performance objectives, and their primary linkage to shareholder interest is that they track the Company's share price.

Like PSUs, RSUs vest from 1 to 3 years from the date of grant, but only if the employee remains employed by the Company on the vesting date. Except in extraordinary circumstances requiring Board approval or in the case of a qualified retirement, employees who cease employment before the vesting date forfeit their RSUs. Over the vesting period, RSUs attract dividend units equivalent to the dividends paid on our Common Shares, if any. RSUs are paid out on the vesting date, based upon a calculation determined using a weighted average share price.

Vested RSUs may be paid in cash, Common Shares or a combination thereof, at the option of the RSU recipient. The only exception to this is in respect of the CEO. In accordance with his employment agreement, a portion of his vested RSUs may be paid in cash equal to the income taxes payable by the CEO in relation to these vested RSUs. The balance of the payout amount is used to buy Common Shares of the Company in the open market. These Common Shares must be held by the CEO until his employment with the Company ceases, or in some cases, for a period of 3 years following the date of grant.

For 2013, the value of realized RSUs was calculated as follows:

RSU Held × **Weighted Average Share Price** = **RSU Payout**

Stock Options

We have not issued stock options in two years. Long-term incentives are granted to executives who are in a position to contribute to the long-term success of the Company. A holder of vested stock options may acquire the Company's Common Shares at the exercise price established at the time of the grant. Stock options vest in increments of 20% per year, starting with the first anniversary of the date of grant. A vested option may be exercised within 10 years of the date of grant, provided the option is exercised during the holder's employment at the Company or within a specified period of time after ceasing employment. Any options that have not vested at the time that an employee ceases to be employed are forfeited, except that the Board of Directors may, in special circumstances and in its sole discretion, accelerate the vesting of options that would otherwise have been forfeited.

While stock options are still considered an important component of the total compensation for the Company's most senior executives, the Company has followed what has been perceived to be general market practice by significantly decreasing the issuance of stock options. In particular, this trend has accelerated since the 2005 introduction of the PSU Plan and the subsequent introduction of the RSU Plan. In 2012, only Executive Committee members, including the NEOs, were granted stock options. We did not issue stock options as part of our 2013 or 2014 LTIP grant.

INDIRECT COMPENSATION

Benefits, pensions and perquisites make up the Company's indirect compensation package. Executives participate in largely the same benefits programs as other Company employees, including group life, health and dental insurance programs. These benefits are generally provided on a competitive level with Comparator Group companies while ensuring that benefit costs are contained over the long-term. Executives also participate in the same pension plans available to other Company employees, supplemented by an executive retirement plan. Perquisites vary by executive, subject to maximum limits. In 2012 and 2013, the CEO was provided with an annual flexible spending allowance of up to $76,500, being 9% of his base salary. The 2013 perquisite levels for the other NEOs ranged from $30,000 to $45,000.

"AT RISK" COMPENSATION"

Our compensation practices rely heavily upon "at risk" compensation.

The variable portions of the total compensation target introduce flexibility into the package allowing for compensation to be adjusted year to year to reflect varying performance of both the individual and the business, or to assist in advancing our corporate objectives. The variable, or "at risk" compensation is also linked to the individual's and the Company's performance throughout the year. As a result, poor performance will be reflected in a lower total compensation being paid to an executive. Likewise a first-rate performance will result in higher total compensation being paid to an executive.

The variable equity incentive target allocates a significant proportion of total executive compensation in the form of future vesting equity-based vehicles. The actual mix of cash and equity incentive varies per individual with equity levels increasing with each executive level. Establishing an executive compensation program with a significant proportion of total compensation at risk and in equity encourages executives to focus on the Company's long term goals such as sustained performance, value growth and long term strategy of the Company, and encourages retention of key talent.

The actual compensation paid to an executive at the end of a financial year will vary depending on whether the various incentive targets for the year have been attained. Later in this Circular under "Pay for Performance", we provide specific data demonstrating how this "at risk" compensation practice has impacted our NEOs' overall compensation levels.

As discussed under "**Risk Assessment and Oversight**", below, we are also comfortable that our compensation philosophy does not encourage excessive risk-taking.

SHARE OWNERSHIP GUIDELINES AND OWNERSHIP PROGRAMS

To further align executive and shareholder interests, the Board has established minimum share ownership guidelines for each NEO and other executives, to be maintained throughout their employment with the Company.

The guidelines require individuals to achieve the minimum level, within six years of their first notification. Unvested RSUs and PSUs, as well as Common Shares acquired under the Company's Employee Share Ownership Plan ("ESOP") or on the open market, count towards satisfying this guideline. In order to ensure the efficacy of the minimum share ownership policy for executives, the Company also ensures its executive do not hedge the economic risk of any of their share ownership through its Insider Trading Policy, which has a blanket "no hedging policy". The Insider Trading Policy has two effective mechanisms in place: first, the policy prohibits NEOs, and other senior executives from trading without the consent of the CEO, and likewise the CEO is prohibited from trading shares without the consent of the Board. Second, every employee, officer and Director of the Company is categorically prohibited from purchasing or selling securities frequently so as to appear to be speculating and from short selling of, or trading in, puts or calls, or from purchasing financial instruments, including, prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities.

Our employees & executives have shares & units worth close to 5% of the Company's float.

The following sets out the minimum share ownership guidelines for our executives.

Executive	Multiple of Base Salary	Guideline Ownership by Year 2014[(1)] $	Deemed Value at Year End 2013[(2)] $
Pierre J. Blouin	**3X**	**2,550,000**	**6,539,783**
Wayne S. Demkey	**2X**	**929,000**	**1,976,183**
Kelvin A. Shepherd	**2X**	**1,007,400**	**2,394,446**
Dean L. Prevost	**2X**	**975,600**	**2,273,089**
Paul A. Beauregard	**1.5X**	**522,576**	**902,922**

(1) The amounts shown are calculated by multiplying the annual base salary earned by each NEO in 2013 by the specified guideline multiple.

(2) The amounts shown are calculated as follows:

i) Common Shares – by multiplying the aggregate Common Shares held by each NEO as at December 31, 2013 either under the ESOP, held privately or otherwise by the weighted average of the trading prices of the Common Shares on the five consecutive trading days preceding December 31, 2013, which was $29.06; and

ii) PSUs and RSUs– by multiplying the PSUs and RSUs held by each NEO as at December 31, 2013 by the weighted average of the trading prices of the Common Shares on the five consecutive trading days preceding December 31, 2013, which was $29.06. Note that the value of all PSUs and RSUs may not be realized by NEOs as the value is affected by share price, performance factors and continued employment.

All of our NEOs have substantially exceeded their share ownership guidelines. As of March 24, 2014, 92% of our executives have achieved their respective share ownership requirements and 100% of our executives are ahead of track to achieve their share ownership requirements.

The company offers to all its employees an opportunity to become shareholders through the ESOP program. Today, employees may participate by electing to purchase Common Shares through the plan by contributing between 1% and 6% of their regular earnings. In addition, the Company will match 25% of the employee's contributions to the employee's ESOP account for the purchase of Common Shares. This is a popular plan as approximately 60% of our employees participate in the ESOP, including a large percentage of our executives.

All our NEOs have close to double the shares & units required under their ownership guidelines, or more!

RISK ASSESSMENT AND OVERSIGHT

Our risk management program is enterprise-wide with focus on identification, assessment and mitigation of risks associated with achievement of our strategic objectives. Principal risks are identified and evaluated relative to their potential impact and likelihood, including consideration of mitigating activities. Our annual risk assessment is linked to our yearly business plan process, and we conduct periodic updates to identify potential emerging risks arising from factors that may impact achievement of strategic objectives, such as major business decisions, key initiatives and external factors. Our risk management program is managed through an executive-level strategic risk committee in conjunction with our enterprise risk management and internal audit groups. Reports on principal risks are reviewed by our executive management, the Audit Committee and the Board of Directors.

Governance of principal risks forms part of the mandate and the charters of our Board of Directors and its committees. As described under "**Corporate Governance – Audit Committee**", the Audit Committee has primary responsibility for oversight of our risk management program including reviewing key principal risks. The Audit Committee assigns each of these principal risks to either a specific Committee or to the entire Board, as appropriate, for more comprehensive risk identification, risk management and risk mitigation strategies. The HRCC also plays a role in risk management. The HRCC has discussed the concept of risk as it relates to our compensation program, and believes the Company's compensation program only encourages our Executives to take risks that are appropriate and aligned with long-term shareholder interests and thereafter to carefully identify, mitigate and manage those same risks. Executives are not rewarded for taking excessive or inappropriate risks or those which would have a material adverse effect on the Company for the following reasons:

- Our total compensation package consists of both base (or fixed) and variable compensation. The "base salary" portion of compensation is intended to provide a steady income, regardless of the Company's share price performance. We believe that our executives should not feel inappropriately pressured to focus exclusively on share price performance to the detriment of other critical business metrics. The variable (or "at risk") compensation components are designed to reward both short- and long-term corporate performance.

- When setting the performance metrics for variable compensation, we have included metrics such as revenue, EBITDA growth in strategic product lines and free cash flow. We believe our executives are encouraged to take a balanced approach that focuses on corporate profitability with the recognition that we are currently a dividend-paying Company. These measures and their related objectives are linked to our risk management program through our risk assessment approach which is focused on the identification and mitigation of risks associated with achievement of strategic objectives.

- Most of our share units (RSUs and PSUs) are subject to three year vesting periods, reducing incentives on the part of executives to any imprudent short-term risks. Our Company's meaningful share ownership requirements, and our CEO's obligation to hold shares until his retirement, or some other longer term period, also serve the same function. We believe these provide considerable incentives for management to consider the Company's long-term interests – we have created a structure pursuant to which our executives own a meaningful amount of our shares or units that track our shares. In addition, we have an anti-monetization policy, so our executives cannot insulate themselves from the effects of poor share price performance.

- We have not issued stock options in several years. For those previously-granted options that are outstanding, these options vest in 20% increments per year over a five year period, further aligning executives with the objective to reduce unnecessary short-term risk.

- We have strict internal financial controls which are subject to both external audit, by our external and internal auditors. We believe these steps reduce the risk that our financial results (upon which our variable pay is calculated) would be susceptible to manipulation by any employee, including our executives. In addition, annually all of our employees are required to sign off that they have reviewed our Guide for Business Conduct & Ethics which covers, among other things, accuracy of Company records.

- Finally, each executive is also subjected to an individual-based evaluation of his or her performance results. The Board would penalize an executive who is taking unreasonable and unauthorized risks.

The HRCC believes that the Company's executive compensation program encourages the taking of risks that are reasonable, appropriate and properly managed, while not encouraging our management to take unreasonable risks relating to the Company's business.

ROLE OF BOARD IN OVERSEEING RISK PROGRAM

RISK EVALUATION PROCESSES

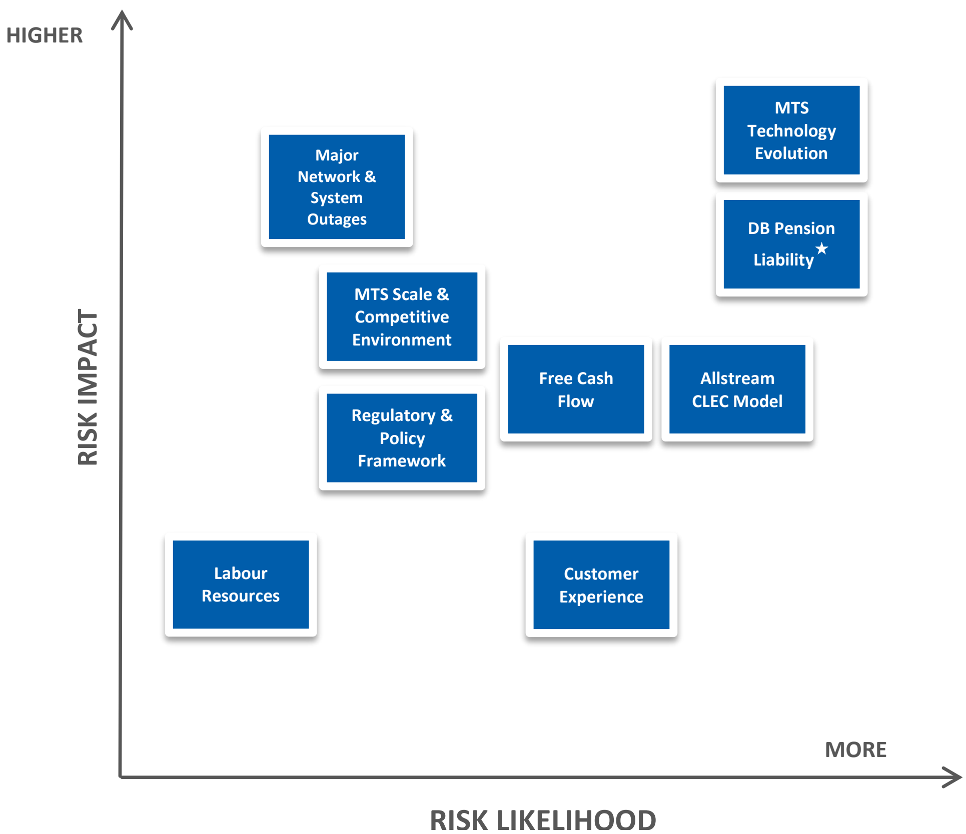
Risk management practices are part of our standard operations, across all of our businesses. Identifying and managing our principal risks forms part of our management's regular business planning process because risks, as well as associated opportunities, form the basis of many aspects of the Company's future business model and opportunities.

Once we set our strategic objectives, our risk management program undertakes to identify and assess the associated principal risks, and considers the activities being taken to mitigate them. The program is managed through an executive-level strategic risk committee, in conjunction with our enterprise risk management (ERM) team, including the head of our Internal Audit group that is independent and reports directly into the Chair of our Audit Committee.

ANNUAL RISK ASSESSMENT

We annually conduct a formal "risk assessment" process that is directly linked to our business plan. Regular updates are performed throughout the year to identify potential emerging or previously unidentified risks. Our ERM team plays a key role in ensuring management follows appropriate processes in completing these risk assessment reviews. The outcomes are formalized into reports, which are reviewed by executive management. Executive management provides its input, the reports are finalized and the results are presented to the Board. Certain categories of similar risks are often grouped together, forming the basis of what we refer to as "principal risks". While the formal reports contain considerably more detail and analysis on these principal risks, the table below is an indicative representation of how we perceive, organize, rank our principal risks:

ANNUAL RISK ASSESSMENT TABLE



★As of December 31, 2013.

More details in respect of the risks we face, and how we manage them, is contained in our Annual MD&A. Each of these principal risks has an Executive Committee "owner" or "owners" responsible to present this risk to the Board and/or relevant Committee, and also present the mitigation plans implemented to manage the same risk.

DIRECTORS' VERIFICATION OF RISK ASSESSMENTS

The Board takes an active role in verifying management's risk assessments, both from a formalized, structured process, as well as a large number of ongoing and ad hoc steps to ensure proper diligence is exercised in overseeing management:

- **AUDIT COMMITTEE ROLE** | The Audit Committee charter requires an annual review of our risk management program for the identification and management of our principal risks and respective mitigation strategies. The Audit Committee must be satisfied with two procedural matters. First, they assess whether our risk management program is appropriate. Second, with the support of the ERM team, they ensure that each of the key risks and associated mitigations identified by management is delegated for more detailed review, oversight and monitoring by either the full Board or one of the Board's standing committees.

- **BOARD ROLE |** The Board charter requires that all directors be involved in the monitoring of all of the Company's key risks and their respective mitigation plans. Our directors must have a solid and substantive understanding of the principal risks facing the Company. Consequently a majority of Board and committee meetings have agenda items devoted to risk discussions. When the Board or a committee is asked to approve key strategic matters (such as budgets, outlook or decisions), a discussion surrounding the associated risks and opportunities also occurs, and risk oversight is an integral and necessary part of normal business planning.

- **ROLE OF INTERNAL AUDIT |** Our Internal Audit group, a part of our ERM team, has a direct reporting relationship into the Chair of our Audit Committee. The head of our Internal Audit group has regular in camera meetings with the entire Audit Committee, as well as off-cycle one-on-one meetings with the Chair of our Audit Committee. This provides Directors with an opportunity to directly obtain independent views on the Company's risks and mitigation strategies.

- **INTERNAL AUDIT PROGRAM PLANNING |** The Company's principal risks are treated as significant inputs in the selection of audit assignments for the Internal Audit program. The Audit Committee takes an active role in reviewing and approving the Internal Audit Plan, and ensuring that the plan addresses matters of greater risk to the Company.

- **DISCUSSIONS WITH EXTERNAL AUDITORS |** The Audit Committee regularly has in camera discussions with our external auditors, and obtains their perspectives on the risks we face and how we mitigate them, and whether those are consistent with our ERM program.

- **MONITORING INDUSTRY VIEWS |** Our Board regularly reviews other third party views on the risks we face, including industry publications, media and even actively reviews our competitor's disclosure on the same issues, to ensure our ERM program has not failed to address relevant considerations. In 2013, the Board had prominent industry consultants come talk to them about their views on both MTS and Allstream and their respective marketplaces.

- **ANALYSTS |** Directors regularly listen to our quarterly analyst calls, to hear their perspectives on the Company and the industry. Directors also regularly receive all copies of analyst reports in respect of our Company and recently took the steps to invite 3 analysts to come present their views of the Company to the Board.

- **MANAGEMENT PRESENTATIONS |** As discussed above, management presents each of the principal risks to a Committee and/or the entire Board. The Board always uses these opportunities to "pressure test" management, and these presentations are always interactive dialogues, as opposed to passive presentations.

- **DIRECTOR EDUCATION |** Through our "Required Reading" program, site tours and external speakers, Directors are able to receive a wide range of external industry perspectives. In addition, our Governance & Nominating committee is responsible for selecting the topics in our Director Education program. The Board consistently requests presentations and further information in areas considered relevant or useful.

2013 PERFORMANCE & RESULTS

2013 PERFORMANCE MEASURES

When describing the specific implementation of our compensation program in 2013, we start by discussing our "performance measures". Two (2) components of our "at risk" compensation have performance measures: (a) our VPP program includes various factors such as EBITDA, free cash flow and Customer Satisfaction, both at the consolidated and divisional levels, and (b) our PSUs include cost reductions, Growth Product revenue and Relative TSR. Below is a balanced score card showing the structure of each of these performance factors, and how the Company performed on each of these metrics. We also explain why we selected these factors. At a general level, for VPP we select performance factors that are more addressable in a shorter (e.g., 1-year) time horizon, whereas for PSUs we select performance factors that are more aligned to a longer (e.g., 3-year) time horizon. Our scorecards include both a minimum "threshold" requirement to receive any payment, and a "maximum" level after which no incremental compensation is paid. In **Appendix 3**, we show these same measures graphically.

REFLECTION ON 2013 RESULTS

Results in 2013 reflect the uncertainty caused by the Allstream sale process. While results at MTS were close to targets, in 2013 results at Allstream were disappointing and below expectations, and cash flow was similarly impacted by transaction and restructuring expenses associated with the sale process. Specifically, the ongoing uncertainty and disruption of the sale process impacted Allstream's results:

- Competitors exploited the situation, while some customers delayed new orders until the outcome of the review process was known

- In addition to being distracted by the demands of preparing for the sale, at the same time, management was "stuck on the sidelines" – bound by ordinary course of business covenants and contractually unable to make changes to the business to adjust for these events, there was an inability of management to step in and make a difference at Allstream. Howerver, corrective actions were taken swiftly following the rejection of the sale."

A a result, payouts for 2013 were significantly impacted by these Allstream results, notwithstanding that management made significant sacrifices and undertook commendable efforts through this turbulent year.

VPP MEASURES

PERFORMANCE MEASURE	BREAKDOWN	OBJECTIVES *Threshold* TARGET *Stretch*	ACTUAL RESULTS	PAYOUT RESULTS AS % OF TARGET	WHY WE CHOOSE THIS
EBITDA	MTS	*$440.9M* **$489.9M** *$538.8M*	**$482.7M**	**92.7%**	**EBITDA** is considered a proxy for the measurement of the profitability of the Company, and demonstrates how effective management has been in operating the Company. This incorporates both how successful the Company is in selling its growth and higher-margin products, managing legacy declines, while at the same time controlling internal costs.
	Allstream	*$108.0M* **$120.0M** *$132.0M*	**$104.5M**	**0%**	
FREE CASH FLOW★	Consolidated	*$162.2M* **$180.3M** *$198.3M*	**$169.3M**	**69.6%**	**FREE CASH FLOW** is an important metric because this ties into the ability of the Company to sustain its current dividend payments without the need to increase borrowings. It also measures the Company's ability to manage its cash position.
	MTS	*$148.5M* **$165.1M** *$181.6M*	**$161.5M**	**89.1%**	
	Allstream	*$10.2M* **$15.2M** *$20.2M*	**$7.8M**	**0%**	
CUSTOMER SATISFACTION	MTS	95% **100%** 105%	**96.3%**	**63%**	**CUSTOMER SATISFACTION** is a measurement of how effective the Company is in its sales and marketing efforts. The Company believes there is a correlation between customer satisfaction and future revenue, growth and profitability. As such, it measures not only current operations, but it has a strong forward-looking element to it. We provide more details on the methodology we use to calculate customer satisfaction levels later in this Circular.
	Allstream	77% **83% ACV** 87% 105% **113% RCV** 118%	**82.8% ACV** **105.9% RCV**	**81.4%**	

In 2014, metrics for both MTS & Allstream Customer Satisfaction were simplified.

★ The result of Free Cash Flow was adjusted by the Board of Directors in 2014. See page 63.

DETERMINATION OF CUSTOMER SATISFACTION LEVELS

The following is a description of the processes we use to measure customer satisfaction at both MTS and Allstream.

CUSTOMER SATISFACTION – MTS

In 2013, Customer satisfaction for the MTS business unit was measured across three market segments: Residential, Small Business ("SB") and Enterprise. Residential and Small Business customer satisfaction is measured through the Customer Value Index (CVI) and the True Value Metric (TVM). The Enterprise Market is measured using the Customer Value Metric (CVM). CVI and CVM measure the customers overall perception of Price, Quality, Value, Likelihood to Stay and Likelihood to Recommend. TVM measures perceptions of the customer experience based upon recent interactions with MTS. The overall Customer Satisfaction measure is calculated by combining the three measures according to weightings. The CVI, TVM, and CVM data is collected monthly through random telephone surveys. For the Residential and SB markets, MTS employs research suppliers to conduct the surveys (Dimark and NRG, respectively). For the Enterprise Market, a third party provider (Phase 5 Consulting) conducts the surveys.

In 2014, the HRCC and management moved to simplify the measurement of customer satisfaction at MTS and is moving to the simpler "Net Promoter Score" which - at a simple level - asks customers if they would recommend MTS. At the same time, the thresholds and targets for 2014 were significantly moved forward so that even threshold levels for 2014 would be "stretch" when compared to 2013 results.

CUSTOMER SATISFACTION - ALLSTREAM

In 2013, Customer satisfaction for the Allstream business unit was measured through the Customer Value Metric (CVM) program – a telephone survey management process conducted by an independent market research company, Phase 5 Consulting. Each quarter, customer and non-customer qualified contacts rate their service provider on measures across the customer experience. Performance is measured against an Allstream Customer Value (ACV) measure and as compared to the competition with a Relative Customer Value (RCV) measure.

In 2014, these metrics were improved to remove the RCV measurement on the premise that Allstream – which already has industry-leading customer satisfaction, should not benefit from the "relative" scores being driven by competitors in an industry that is not always well known for customer satisfaction. In that regard – Allstream is judged by its own performance and will not benefit from the poor performance of its industry peers.

PSU MEASURES

PERFORMANCE MEASURE	BREAKDOWN	OBJECTIVES *Threshold* **TARGET** *Stretch*	ACTUAL RESULTS	PAYOUT RESULTS AS % OF TARGET	WHY WE CHOOSE THIS
MTS GROWTH PRODUCT REVENUE	MTS	*$607.2M* **$639.2M** *$671.1M*	$639.2M	100%	**GROWTH PRODUCT REVENUE** reflects the overall ability of MTS to find customers who are willing to buy MTS's growth services, such as wireless, TV and Internet products, as it is an important proxy for the success to drive sustainable growth in the longer term
ALLSTREAM IP REVENUE	Allstream	*$243.1M* **$255.9M** *$268.6M*	$241.9M	0%	**IP REVENUE GROWTH** is an important measurement because it is a proxy for the success of Allstream's strategy of offsetting declines in legacy lines of business with a targeted growth in a new line of business that is core to Allstream's future, which in term is related to the ability to drive sustainable growth in the longer term.
RELATIVE TOTAL SHAREHOLDER RETURN	Consolidated	*25th Percentile* **50th Percentile** *75th Percentile*	14th Percentile	0%	**RELATIVE TOTAL SHAREHOLDER RETURN** provides a direct link between our shareholders' financial experiences and executive compensation. We have developed a Comparator Group that represents a basket of other public company stocks that could represent other reasonable investing substitutes for the Company's shares, then the Company's TSR is compared to this basket at the end of the applicable measurement period.
OPERATING COST REDUCTIONS	Consolidated	*$30.0M* **$35.0M** *$40.0M*	$45.4M	150%	**OPERATING COST REDUCTIONS** are viewed as a cornerstone to maintaining our profitability levels in an increasingly competitive market. We need to be able to do more with less, and cost reductions are vital.

DETERMINATION OF RELATIVE TOTAL SHAREHOLDER RETURN

We calculate our Relative TSR performance using an outside party using the following formula:

$$TSR = \left\{ \frac{\text{Price at end of period} \times \text{Total Return}_{End}}{\text{Price at beginning of period} \times \text{Total Return}_{Beg}} \right\}$$

Our fifteen (15) company Comparator Group for Relative TSR is intentionally not the exact same as our Comparator Group for our executive compensation. Rather, we selected both (a) telecom peers and (b) other Canadian companies that have characteristics similar to the Company, as viewed by potential investors, such as:

- Yields higher than 4%
- Size of company between $500M and $4B
- Moderate volatility in share price
- Moderate growth potential
- Positive earnings
- Generally similar cash flow trends

RELATIVE TOTAL SHAREHOLDER RETURN COMPARATOR GROUP FOR 2013

For the 2013 PSUs, these companies were in our Relative TSR Comparator Group.

- Allied Properties REIT
- BCE Inc.
- Bell Aliant Inc.
- Boardwalk REIT
- Canadian REIT
- Emera Inc.
- North West Company Inc.
- Reitmans Canada – Class A
- Riocan REIT
- Rogers Communications
- Shaw Communications
- TELUS Corp.
- TransAlta Corp.
- Yellow Media Inc.
- Valener Inc.

IMPACT OF PERFORMANCE ON VPP AWARDS

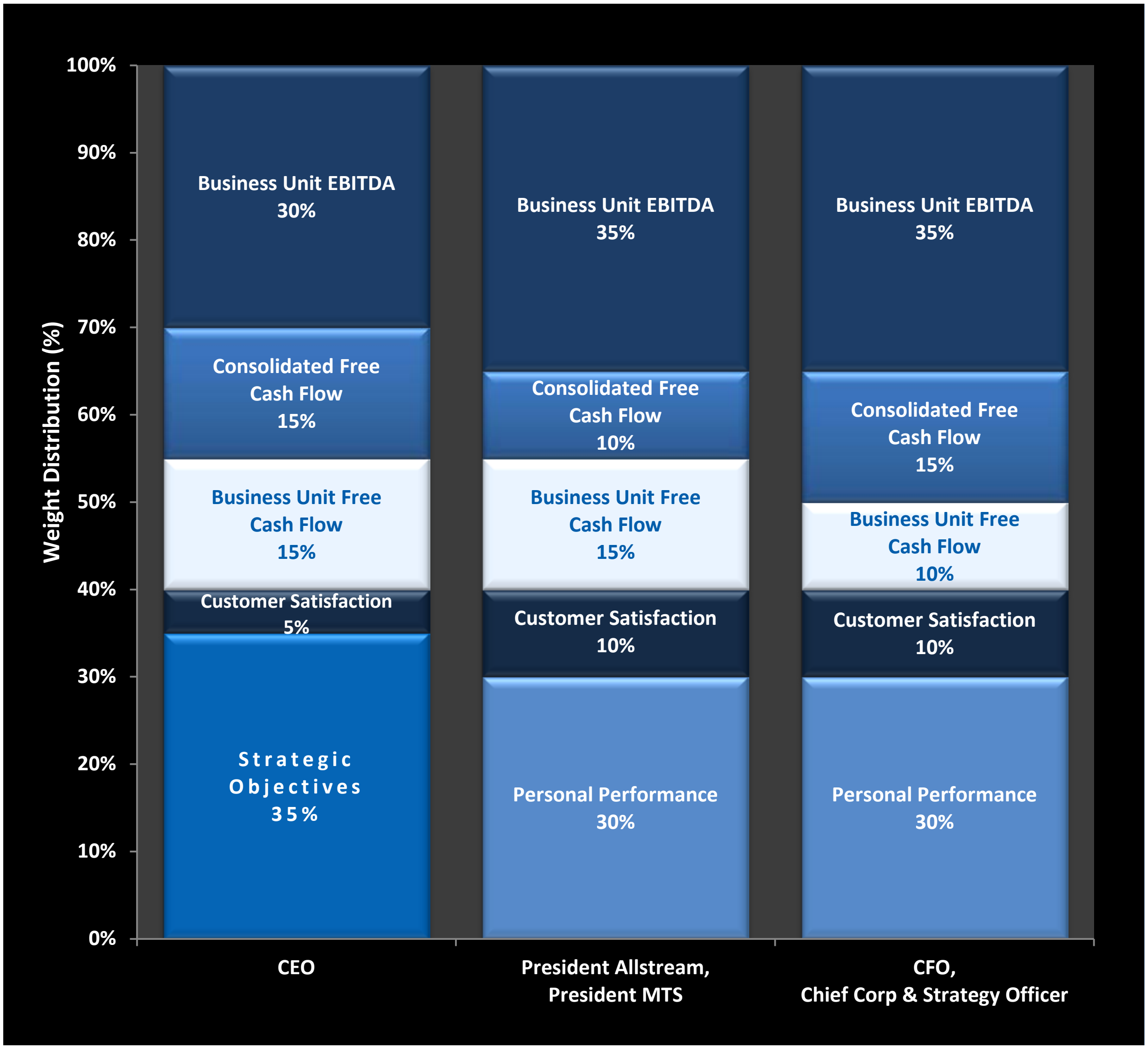
Our NEOs performance ratings on their personal and financial 2013 objectives varied from partially meeting to exceeding their targets. Their performance is generally consistent with the performance of the Company's employee base during the same period. Both personal and financial ratings resulted in total VPP payouts for NEOs ranging from 45% to 89% of targets for 2013. The 2013 VPP payout amount for NEO's is lower than the 2012 and 2011 VPP payouts. This was expected given that our financial performance, when compared to our Outlook, was stronger in 2011 and 2012.

The following tables and bar chart outline the 2013 VPP target, maximum and business performance weightings for each of the NEOs as well as the payout in 2013.

2013 VPP RANGES

	VPP Range (As a % of Base Salary)			Weightings		
Executive	**Threshold**	**Target**	**Maximum**	**Financial**	**Customer Satisfaction**	**Strategic & Personal**
Pierre J. Blouin	42.5%	85%	170%	60%	5%	35%
Wayne S. Demkey	30%	60%	90%	60%	10%	30%
Kelvin A. Shepherd	32.5%	65%	97.5%	60%	10%	30%
Dean L. Prevost	32.5%	65%	97.5%	60%	10%	30%
Paul A. Beauregard	25%	50%	75%	60%	10%	30%

2013 VPP DISTRIBUTION



2013 VPP PAYOUTS

NEO	Target VPP Payout in 2013 ($)	Actual VPP Payout in 2013 ($)	Actual VPP Payout in 2012 ($)
Pierre J. Blouin	722,500	667,951	881,739
Wayne S. Demkey	278,700	228,061	305,207
Kelvin A. Shepherd	327,405	291,587	315,889
Dean L. Prevost	317,070	142,999	320,472
Paul A. Beauregard	174,192	142,543	172,672

More details in respect of the specific calculations of each such VPP payment are set forth later, when we profile the 2013 performance of each NEO.

In May 2013, the Company executed a binding agreement to sell Allstream to Accelero capital, which sale was subject to regulatory approval. In October 2013, the Federal Government unexpectedly rejected the transaction on unspecified national security grounds. This decision was unexpected by the legal and professional advisors (including advisors on the issue of national security), analysts, media and even government bureaucrats, and the Company was advised that these national security concerns were not capable of being mitigated through any structural solutions. The disruptive sale process had significant impacts on the Company:

- Transaction and restructuring costs directly related to the unsuccessful Allstream transaction totalling $39.6 million, which directly affected financial results
- Allstream was subject to ordinary course of business covenants (i.e., it was not possible for management to make changes for much of the year), with a large "distraction factor" and incremental workload caused by educating and planning for Accelero
- Allstream sales activity was hurt by the sale process as competitors leveraged the uncertainty to take customers and prevent Allstream wins. We also know that new Federal Government (CNS4) orders for new IP sales were put on hold during sale process
- Many corporate employees were largely focused on activities directly related to the sale, and unable to drive other initiatives that would have enhanced performance
- MTS management was distracted while planning for separation

Following extensive discussion with independent compensation consultants and over the course of two HRCC meetings, the Board agreed to adjust VPP to "normalize out" the $39.6 million of specifically identifiable deal-related costs on the basis that they were not reasonably foreseeable nor avoidable. As a result of this adjustment, the incremental VPP payout across both divisions – not just at the executive level but for all 5,000 employees in the organization – was approximately $2 million. The costs of this adjustment for each NEO is as set forth below:

NAME	Unadjusted VPP Payout (as % of Target)	Adjusted VPP Payout (as % of Target)	Incremental Cost of Proposed Adjustment
P. Blouin	72.4%	92.4%	$145,005
W. Demkey	66.9%	81.8%	$41,527
K. Shepherd	68.7%	89.1%	$66,561
D. Prevost	38.1%	45.1%	$22,069
P. Beauregard	66.9%	81.8%	$25,954

No other adjustments were made in 2013.

IMPACT OF PERFORMANCE ON PSU AWARDS

THREE-YEAR OVERVIEW

Our PSU plan has successfully tied pay to performance and fully aligned management interests with the interests of shareholders. In 2011 and 2012, the Company had reasonably strong financial performance in terms of meeting its financial outlook and guidance. It is therefore reasonable that most (but not all) of the 2011 and 2012 PSUs will vest. In contrast, results in 2013 were disappointing in a very challenging year that saw a disruptive sale process that was ultimately rejected by the Federal Government for unspecified national security reasons. It is therefore unsurprising that a much lower percentage of the 2013 PSUs will or have vested.

- 55% of the 2013 PSUs will or have vested
- 92% of the 2012 PSUs will or have vested
- 90% of the 2011 PSUs with three-year terms will vest (105% of the 2011 PSUs with 1-year terms vested)

VESTING OF 2011 PSUs

The majority of the PSUs granted in 2011 also had a three-year term, although some had a one-year term. The performance periods for the 2011 PSUs were generally for 2011 only, although the Relative TSR metric for the three-year PSUs (20% weighting) had a three year performance period. Although financial performance during 2011 was strong, the drop in the Company's share price following the rejection of the Allstream sale drove weaker payouts for

Relative TSR – notwithstanding that shareholders enjoyed a 20% return during this three-year period. At the end, only 90% of the 2011 PSUs with a three year term will pay out.

VESTING OF 2012 PSUs

The majority of the PSUs granted in 2012 had a three-year term, although some had a one-year term. The performance periods for all the 2012 PSUs were for 2012 only.

The PSU performance vesting level was 92% out of 100%. This result was expected, as it reflects a year in which the Company met its financial outlook, although did not achieve the mid-point of the these ranges. However, at the same time, the Company did deliver over a 15% total shareholder return during this period.

VESTING OF 2013 PSUs

The majority of the PSUs granted in 2013 had a three-year term, although some had a one-year term. The performance periods for all the 2013 PSUs were for 2013 only.

The PSU performance vesting level was 55%. This result was expected, as it reflects a year in which management delivered strong cost reductions and MTS growth revenues were directly on-target; however, at the same time Allstream growth revenues did not achieve threshold, nor did Relative TSR – both factors being negatively impacted by the disruptive Allstream sale process that was unexpectedly rejected by the Federal Government.

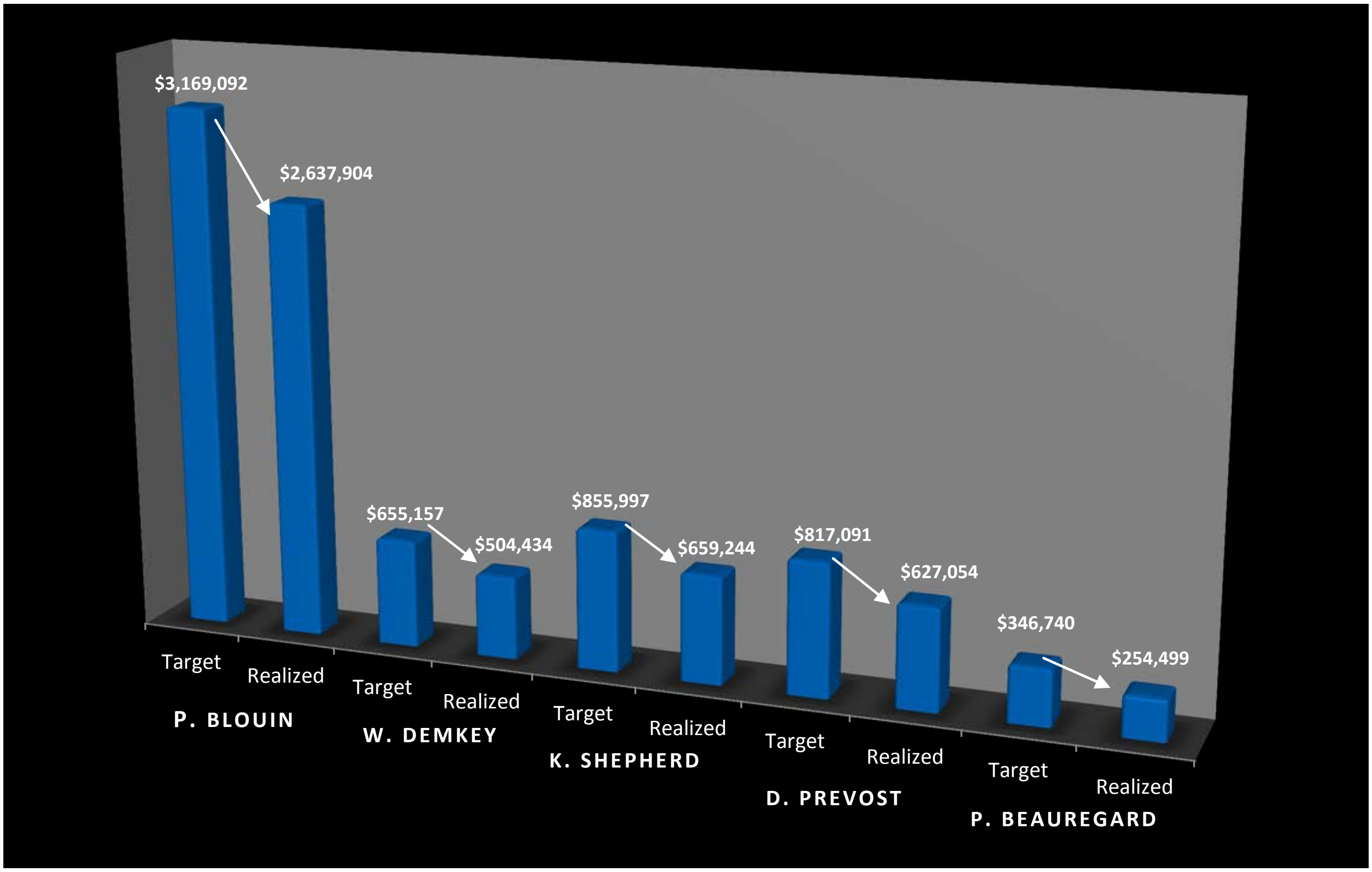
The following table compares the pre-determined financial targets of the PSUs granted for 2013 against the actual financial results achieved in this period. In respect of the 2013 PSUs, the Board did not use any discretion in calculating the overall financial performance level achieved.

METRIC: Consolidated Operating Cost Reducations Target = \$35.0M Weight= 20%	METRIC: MTS Revenue Target = \$639.2M Weight= 25%	METRIC: Allstream IP Revenue Growth Target = \$255.9M Weight = 25%	METRIC: Relative TSR Target = 50th percentile Weight = 30%	Overall Vesting Level Achieved
Result = \$45.4M	Result = \$639.2M	Result = \$241.9M	Result = 14th Percentile	
Percentage of Target = 129.7%	Percentage of Target = 100%	Percentage of Target = 94.5%	Percentage of Target = 14%	55.0% out of 100%
Percentage Payout = 30% of 20%	Percentage Payout = 25% of 25%	Percentage Payout = 0% of 25%	Percentage Payout = 0% of 30%	

PSUs - IMPACT OF COMMON SHARE PRICE & DIVIDEND RATE

For all vested PSUs, the redemption value rises and falls according to the market value of the Common Share, and proportionately increases with each dividend payment. As a result, any decreases to the Common Share price and any reduction of the Company's dividend rate will reduce the value that may otherwise have been realizable by the PSU holder. The following bar graph demonstrates the effect of changing market values of the Common Shares and the effect of dividends over the last three (3) years on realized PSU values.

3-YEAR PSU TARGET(1) V. REALIZED(2) PER NEO | 2011 – 2013



In the above graph, we see that the "realized" value of the PSUs is materially lower than the "target" value, largely driven by lower performance factors (generally in the "90% range" for 2011 and 2012, and 55% in 2013), offset in part by a share price that has not signficiantly appreciated and the impact of the value of notional dividends.

(1) The value of Target PSUs is calculated by multiplying the number of PSUs granted in each year by the market value of the PSUs and adding the sum of all three (3) years. The market value is equal to the weighted average of the trading prices of the Common Shares on the five (5) consecutive trading days preceding the grant date. The market values used in the calculation of the Target PSUs are: 2013: $32.51 and $35.63; 2012: $32.36; and 2011: $30.91.

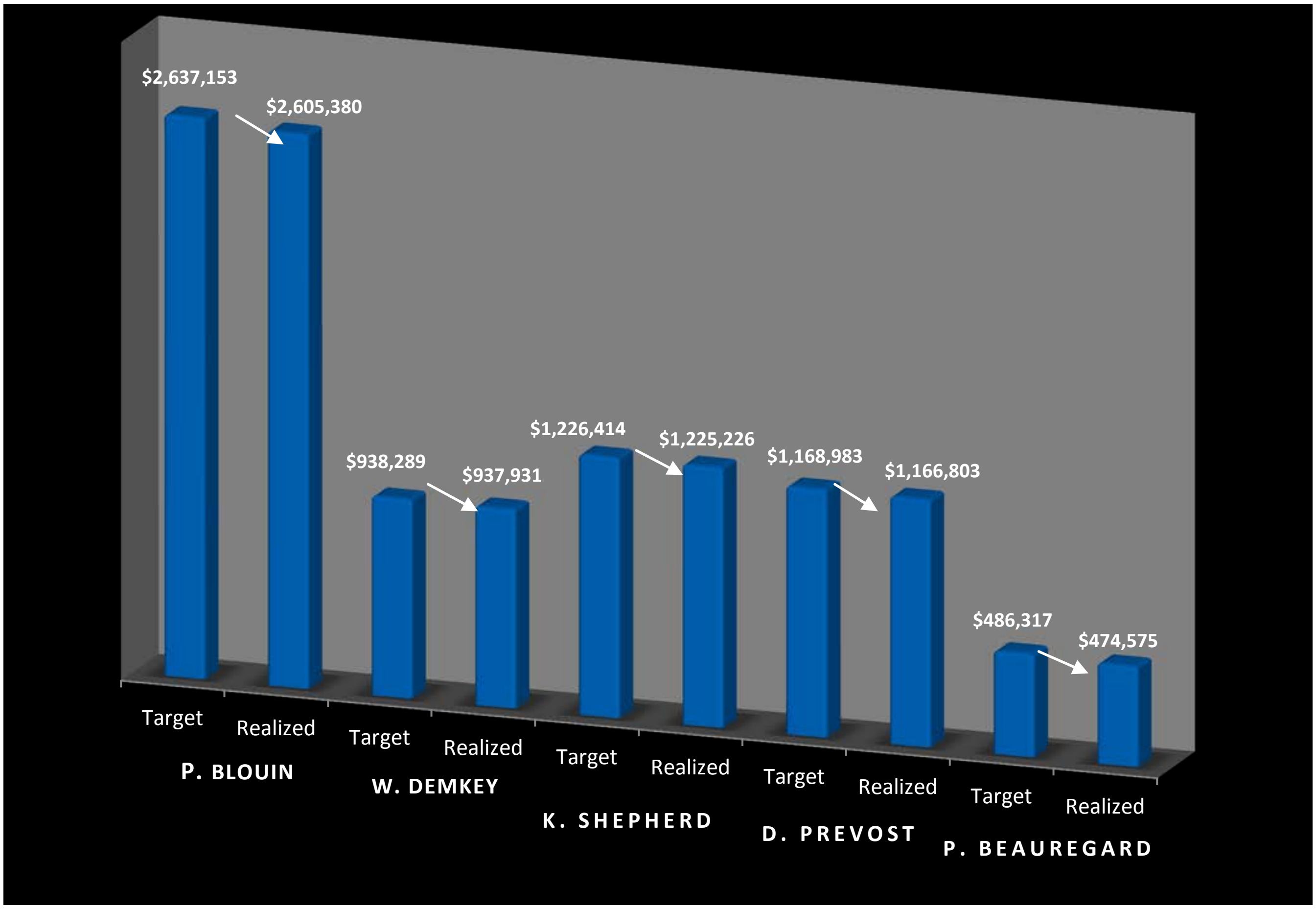
(2) The value of the Realized PSUs is calculated by multiplying the number of PSUs held as of December 31, 2013 by the PSU Performance Factor pertaining to each respective grant and then multiplying the product by the weighted average of the trading prices of the Common Shares of the Company on the five (5) consecutive trading days preceding December 31, 2013, which was $29.06.

IMPACT OF PERFORMANCE ON RSU AWARDS

As RSUs do not carry performance vesting conditions, the RSUs granted in 2011, 2012 and 2013, plus dividend units, will vest for RSU holders who remain or remained employed at the vesting date.

For all vested RSUs, the redemption value rises and falls according to the market value of the Common Share, and proportionately increases with each dividend payment. As a result, decreases to the Common Share price and any reduction of the Company's dividend rate will reduce the value that may otherwise have been realizable by the RSU holder. The following bar graph demonstrates the effect of changing market values of the Common Shares and the effect of dividends over the last three (3) years on realized RSU values.

3-YEAR RSU TARGET[(1)] V. REALIZED[(2)] PER NEO | 2011 – 2013



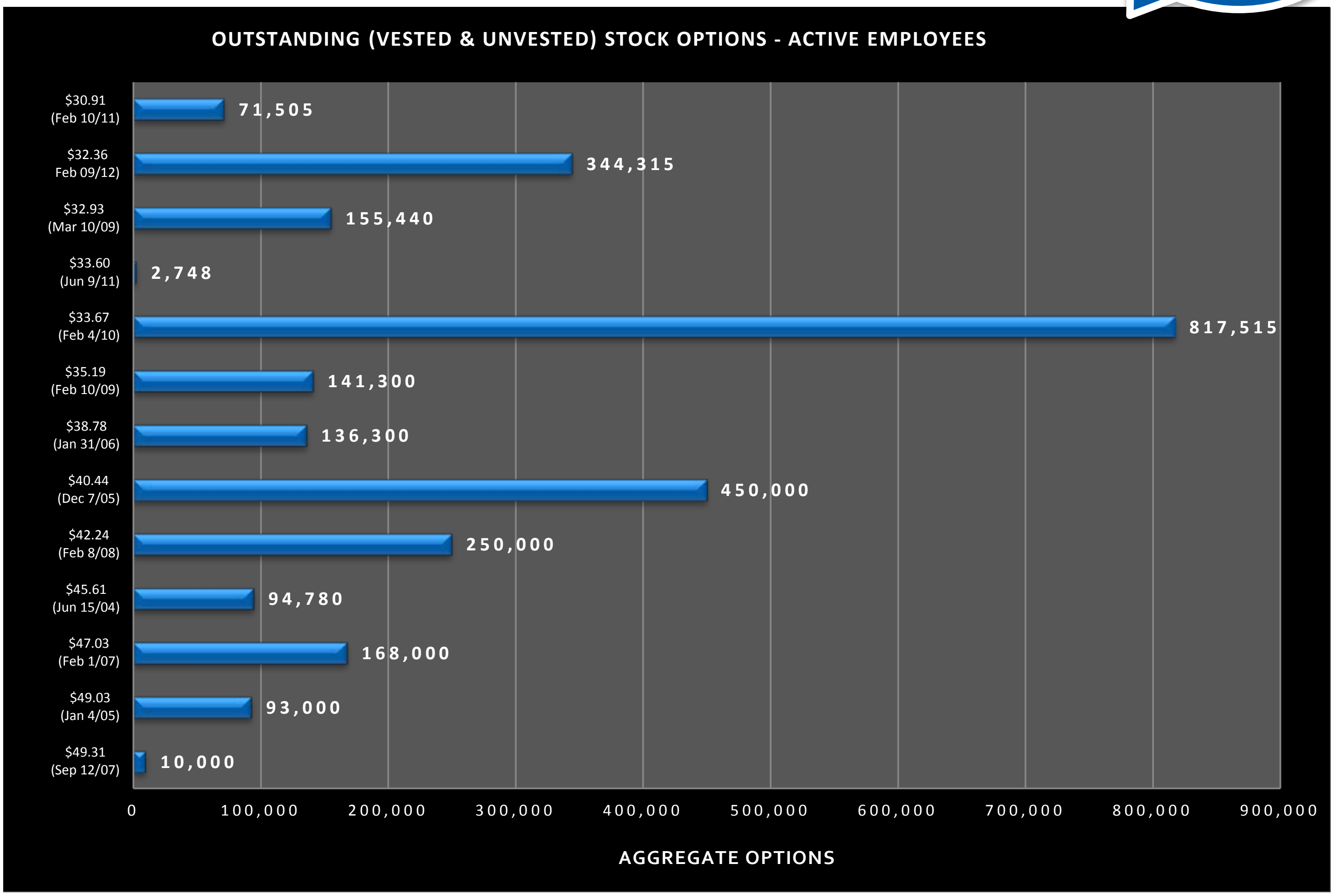
In the above graph, we see that the "realized" value of the RSUs is only slightly lower than the "target" value, as the notional dividends were accrued on RSU units during this period, and this has not fully-offset a marginal decrease in share price over this time period.

(1) The value of Target RSUs is calculated by multiplying the number of RSUs granted in each year by the market value of the RSUs and adding the sum of all three (3) years. The market value is equal to the weighted average of the trading prices of the Common Shares on the five (5) consecutive trading days preceding the grant date. The market values used in the calculation of the Target RSUs are: 2013: $32.51 , 2012: $32.36; and 2011: $30.91.

(2) The value of the Realized RSUs is calculated by multiplying the number of RSUs held as of December 31, 2013 by the weighted average of the trading prices of the Common Shares of the Company on the five (5) consecutive trading days preceding December 31, 2013, which was $29.06.

IMPACT OF PERFORMANCE ON STOCK OPTION AWARDS

The overall distribution of the stock options issued to active employees (including executives) as of December 31, 2013 is reflected in the following graph:



For all vested and unvested stock options, the appreciation value for stock option holders rises and falls according to the price of our common shares. As at December 31, 2013, all of our vested and unvested stock options had exercise prices greater than the market value of the Company's Common Shares on the five (5) consecutive trading days preceding December 31, 2013 (that is, the value to their holders as at that date was nil across all option holders).

IMPACT OF PERFORMANCE ON EMPLOYEE SHARE OWNERSHIP PLAN

The Employee Share Ownership Plan is a well-supported plan in the Company and at the executive level, demonstrating executive commitment to the success of the Company. Nearly all of the Company's executives participate in the Employee Share Ownership Plan. Changes in the price of our Common Shares and the dividend rate directly affect each executive's ESOP holdings, in the same way as all other shareholders and all employees. Our ESOP program is very popular, and indeed employees and executives own 3% of the Company's outstanding shares through this program, in addition to personal shareholdings and unit ownership.

NAMED EXECUTIVE OFFICERS' PERFORMANCE AND COMPENSATION

HIGHLIGHTS OF OUR NEO'S COMPENSATION IN 2013:

- ☑ Our NEOs have 58% to 80% of their total direct compensation "at risk". This has resulted in NEO compensation being highly sensitive to both share price and achievement of financial and operational metrics.

- ☑ In 2011 and 2012, the Company had reasonably strong financial performance. As a result, our executives were or will be able to realize a more meaningful percentage of their "at risk" compensation.

- ☑ In contrast, in 2013 we did not deliver all of the results in our plan, particularly as the disruption of the Allstream sale process impacted results and the ultimate unexpected rejection of the sale by the Federal Government adversely impacted our share price and, as a result, our executives' realized or realizable pay is meaningfully below targets.

- ☑ Generally, for the past several years our executives' base salaries have been subject to modest increases in line with the market, other than one NEO who has had three progression increases in the past three years in connection with greater job scope.

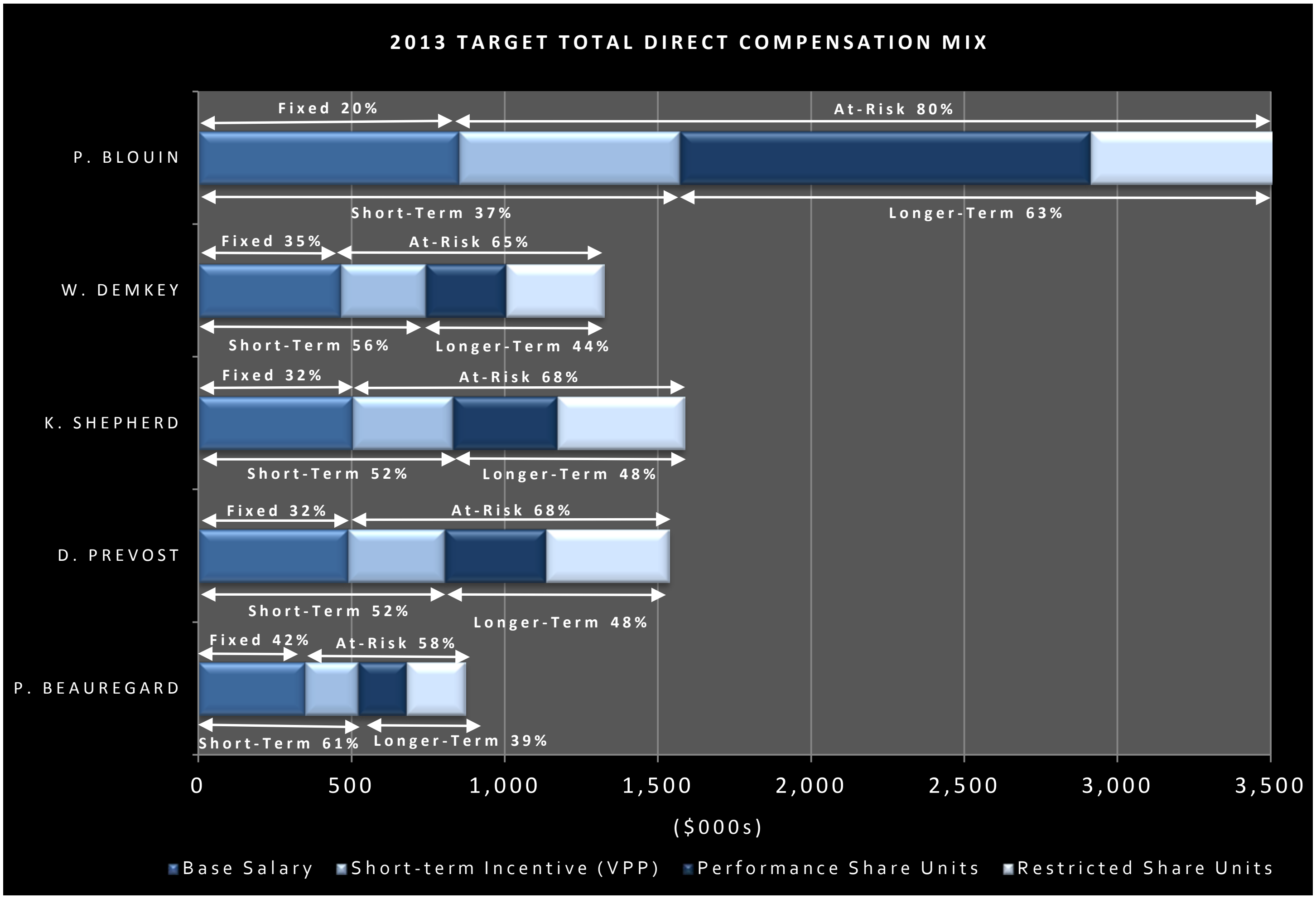
- ☑ Our "Pay for Performance" philosophy links realized compensation to total shareholder return, and we show this graphically in several different ways.

Once the performance of the Company has been evaluated, the performance of each executive is evaluated to determine allocation of individual awards. The following section discusses individual total compensation targets for the NEOs as well as their final compensation awards for 2013.

TOTAL COMPENSATION OF NEOS

NEO COMPENSATION MIX

The bar chart on the following page sets out the compensation mix of the NEOs.



NEO COMPENSATION COMPARED TO COMPENSATION POLICY

The total direct compensation for most of our NEOs was set at a time when the Company was following its prior "P60" compensation philosophy – which paid "P60" compensation levels for "P60" performance. In 2010, the Company moved to a "P50" compensation philosophy, using a revised Comparator Group. As a result, when measured against our current compensation philosophy, many of our NEOs remain at or slightly above this lower "benchmark" as it applies to total direct compensation. We continue to expect that it will take some transitionary time for the total direct compensation paid to all the Company's NEOs to fall within the revised benchmarks established under our compensation philosophy. In addition, as discussed earlier, many of the Company's direct competitors are large telecommunications companies such as Bell, TELUS, Rogers and US telecommunication providers. These companies are significantly larger than us and, as a result, tend to pay compensation levels that are higher than the P50 level of our Comparator Group. When compared to these larger companies (against whom we need to compete for talent), our NEO compensation is below the larger companies total compensation levels.

However, at the same time, the base salaries of nearly all of our NEOs are below the mid-point of our new benchmarks. We are continuing to move our executives towards the median of the base salaries of our Comparator Group.

DETERMINATION OF INDIVIDUAL COMPENSATION

PIERRE BLOUIN

Under Mr. Blouin's leadership, the Company had many significant achievements in 2013. This, despite the disruption caused by the Allstream sale process, through which time period management was not allowed to make adjustments to Allstream's operations, due to contractual "ordinary course of business covenants" under the sale agreement.

In Manitoba, MTS continued its strong market performance, with leading operating results for a telecom provider in its incumbent markets, accelerating the deployment of its LTE wireless high speed data network and the roll out of its "fibre to the home" network to 14 communities in Manitoba and achieving solid growth in strategic consumer products (wireless, Internet and TV) with leading EBITDA margins, ARPU and subscriber growth. MTS also entered into new growth businesses – acquiring EPIC Information Systems and announcing a plan to commence construction of a $50 million world-class data centre in Winnipeg. Finally, MTS announced a bold new community investment program – Future First – a province-wide, multifaceted community investment program aimed at improving the opportunities available to Manitoban youth.

Nationally, following the unexpected rejection of the Allstream sale, Mr. Blouin quickly took actions to stabilize the division's operations and move them back to a path of improved performance and value. Allstream also became cash-flow neutral in 2013 after adjusting for the one time transaction and restructuring costs associated with the rejected sale process and had a strongly improved on-net IP performance generating improved margins.

Mr. Blouin also lead a significant restructuring of the executive leadership team at both divisions, reducing the number of executives by 8 people and decreasing year-over-year executive compensation costs by over 34%.

At the same time, the Company made strong progress on its cost structure efficiencies, reducing the overall workforce by over 400 people and capex by 12% – achieving a stretch level of annual cost reduction target with $48.5 million of annualized cost reductions – all without adversely affecting customer experience. In fact, the Allstream Division continued to deliver customer experience results at world-class levels according to independent customer survey results, notwithstanding the disruption caused by the sale process.

Mr. Blouin also led the Company through a successful equity offering in late 2013 that was over-subscribed and reflected market confidence in the Company and its cashflows. This transaction strengthened the Company's balance sheet, helped sustain its credit ratings and enabled improvements in pension solvency funding.

Mr. Blouin ensured that the Company continued to invest in its employees in 2013. Succession plans for key senior positions were reviewed with development plans put in place. In addition, the Company's exceptionally strong "Employee Engagement" results were maintained and continued to be aligned towards a culture of performing and engaged employees, evidence of an effective communication process with employees.

We do see the direct "target" versus "realized" linkages in Mr. Blouin's compensation numbers. In 2011 and 2012, results were closer to targets, and as a result, Mr. Blouin realized reasonably close to his "target" pay. In contrast, 2013 was a challenging year due to the unexpected rejection of the sale of Allstream and his "realized" pay was ~$850,000 below his "target" pay and, his "Total Compensation" in the Summary Compensation Table similarly shows a significant year-over-year decrease as well.

There are many elements of Mr. Blouin's total direct compensation, as described under the heading **Building Blocks of Executive Compensation**. Of the "At Risk" elements of his compensation, the only element that is directly linked to Mr. Blouin's personal performance is VPP. Details in respect of the calculations of Mr. Blouin's personal objectives, weightings and results of his 2013 individual VPP performance is summarized on the page devoted to Mr. Blouin, later in this circular.

In 2013, Mr. Blouin became eligible to receive his full pension and was no longer accruing pension benefits. As a result, Mr. Blouin now receives RSUs in lieu of pension benefits as described on page 92.

ALL OTHER NEOS

The HRCC reviewed each of the NEO's personal performance in 2013. Details in respect of the calculations of their personal objectives, weightings and results of their 2012 individual VPP performance are summarized for each NEO, later in this circular.

COMMERCIALLY SENSITIVE INFORMATION

In describing the personal and strategic objectives of our NEOs, a very limited amount of commercially-sensitive details have been excluded that are related to core market and corporate strategy. We have tried to limit the instances in which this information has been excluded, and much of this relates to the Company's ongoing Strategic Review Process. In any event, we believe that these excluded details are not material to the overall philosophy and practical implications of the setting of such objectives.

SUMMARY COMPENSATION TABLE

NEOs have seen year-over-year decreases in Total Compensation, reflecting our "pay for performance" program design[5].

The following table sets out the total compensation paid to, or earned by, each NEO for the year-end of each of the three (3) most recently completed financial years:

Name and Principal Position	Year	Salary ($)	Share-based Awards[1] ($)			Option-based Awards[2] ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation[4] ($)	Total Compensation ($)
			PSUs	RSUs	RSUs in lieu of Pension[6]		Annual Incentive Plans[3]			
Pierre J. Blouin Chief Executive Officer	2013	850,000	1,338,762	892,530	450,007	0	667,951	0	76,500	4,275,750
	2012	850,000	892,521	669,399	-	669,382	881,739	474,000	76,500	4,513,541
	2011	824,000	937,809	625,217	-	0	877,251	476,000	74,160	3,814,437
Wayne S. Demkey Chief Financial Officer	2013	464,500	261,294	319,374	-	0	228,061	174,000	41,900	1,489,129
	2012	446,600	195,390	307,064	-	55,836	305,207	166,000	40,200	1,516,297
	2011	425,300	198,473	311,851	-	56,700	310,988	140,000	38,300	1,481,612
Kelvin A. Shepherd President MTS	2013	503,700	339,999	415,569	-	0	291,587	135,000	45,000	1,730,855
	2012	498,700	261,825	411,457	-	74,810	315,889	154,000	44,900	1,761,581
	2011	484,100	254,173	399,388	-	72,625	381,091	134,000	43,600	1,768,977
Dean L. Prevost[7] President Allstream	2013	487,800	329,294	402,441	-	0	142,999	12,067	44,000	1,418,601
	2012	475,900	249,852	392,624	-	71,390	320,472	106,699	42,900	1,659,837
	2011	453,200	237,945	373,918	-	67,991	333,524	23,202	40,800	1,530,580
Paul A. Beauregard Chief Corporate & Strategy Officer and Corporate Secretary	2013	348,384	156,801	191,652	-	0	142,543	162,000	30,000	1,031,380
	2012	303,200	106,141	166,783	-	30,330	172,672	77,000	27,300	883,426
	2011	288,750	83,798	127,882	-	8,931	159,501	48,000	26,000	742,862

(1) The amount shown for each share-based award is the grant date fair value of the PSUs and the RSUs that were granted under the Company's PSU Plan and RSU Plan for the specified financial year. The grant date fair value of the PSUs and the RSUs is equal to the weighted average of the trading prices of the Common Shares on the five (5) consecutive trading days preceding the date of grant. A weighted average of five (5) consecutive trading days is used to minimize the effect of any anomalous trading on the date of grant. The grant date fair value has been calculated using the following weighted average of the trading prices preceding the grant date: 2013: $32.51 and $35.63; 2012: $32.36; 2011: $30.91.

(2) The amount shown for each option-based award is the grant date fair value of the stock options awarded to the NEO for the specified financial year. The grant date fair value has been calculated using the following Black-Scholes factors for the specified periods: 2013: N/A, 2012: $2.78; 2011: $3.24. The Black-Scholes fair values were calculated using the following variables: (a) risk-free interest rate, (b) expected volatility of the Common Share price; (c) expected dividend yield of the Common Shares; and (d) the expected life of the options. See Appendix 3 for more information.

(3) The amount shown represents the annual variable pay plan award for the specified financial year paid in February of the following year.

(4) The value of perquisites received by each NEO which does not exceed $50,000 or 10% of the NEO's total salary for the specified financial year does not need to be disclosed in accordance with applicable securities law requirements. The Company however has voluntarily disclosed such amounts in the interests of increasing transparency and full disclosure.

(5) Other than P. Beauregard, who received three "progression increases" for increased job scope during the three year period covered in this table.

(6) For a discussion of why RSUs are issued in lieu of pension benefits, please refer to "Employment Agreements – Pierre Blouin"

(7) Retired January 2014.

CEO ECONOMIC COMPENSATION

The 2010 Stock Option grant was intended to serve as compensation for both 2010 and 2011. As a result, the allocation of $600,000 of this $1.2 million grant to 2011 results making it a total “economic” compensation of $4,414,437, as shown below:

Year	Salary	VPP	LTI				Pension	Other	Adjusted Total
			Options(1)	PSU	RSU	RSU in lieu of Pension			
2013	$850,000	$667,951	$0	$1,338,762	$892,530	$450,007	$0	$76,500	$4,275,750
2012	$850,000	$881,739	$669,382	$892,521	$669,399	$0	$474,000	$76,500	$4,513,541
2011	$824,000	$877,251	$600,000	$937,809	$625,217	$0	$476,000	$74,160	$4,414,437
2010	$800,000	$723,180	$600,001	$500,000	$200,000	$0	$316,000	$81,489	$3,220,670

(1) Adjusted over the 2010 and 2011 years

PAY FOR PERFORMANCE

DETERMINATION OF “REALIZED” VERSUS “TARGET” COMPENSATION

In this proxy, we refer to the concept of “realized” compensation as being something different than “target” compensation. In making these differentiations, we have used the following assumptions:

- **BASE SALARY** – As there is no “at risk” component, there would be no difference between “realized” and “target”.

- **VPP** – for each relevant year, we compared (a) VPP at “target” (based on entitlements under employment arrangements) against (b) the actual amount paid in respect of such year’s VPP

- **PSU VALUE** – for each relevant year, we compared (a) PSU value at “target” (based on entitlements under employment arrangements) against (b) the number of PSUs held by such individual for such grants, plus all “dividend units” accrued prior to the time vesting date, or in the case of PSUs that have not vested in the financial year reported, December 31, 2013, multiplied by the volume-weighted average price (“VWAP”) (more specifically defined under the relevant PSU Plan) of the Common Shares measured for the five (5) trading days preceding December 31, 2013 as calculated under the relevant PSU Plan ($29.06), after application of any applicable discount for the “performance factor” for the relevant grant (i.e., (a) 90% (three year terms) and 104.8% (one year terms) for 2011, (b) 91.88% for 2012), and (c) 55% for 2013, and assuming that all such PSUs would be payable to the holder, notwithstanding that such amounts are only payable if the holder continues to remain employed by the Company on the vesting date. For PSUs granted whose vesting date has passed, the actual pre-tax proceeds realized as at the vesting date were used.

- **RSU VALUE** – for each relevant year, we compared (a) RSU value at “target” (based on entitlements under employment arrangements) against (b) the number of RSUs held by such individual for such grants, plus all “dividend units” accrued prior to the time vesting date, multiplied by the VWAP (more specifically defined under the relevant RSU Plan) of the Common Shares measured for the five trading days preceding December 31, 2013 as calculated under the relevant RSU plan ($29.06), assuming that all such RSUs would be payable to the holder, notwithstanding that such amounts are only payable if the holder continues to remain employed by the Company on the vesting date. For RSUs granted whose vesting date has passed, the actual pre-tax proceeds realized as at the vesting date were used.

- **STOCK OPTION VALUE** – for each relevant year, we compared (a) the grant value of such stock options (measured using the Black-Scholes factors, which figures would be reflected in the Summary Compensation Table) against (b) the “in the money” value of all such options determined using the VWAP (more specifically defined under the relevant Stock Option Plan) of the Common Shares measured for the five trading days preceding December 31, 2013 as calculated under the relevant Stock Option Plan

($29.06), assuming that all such options had been vested (notwithstanding that such options only vest in increments of 20% per year commencing on the first anniversary of the date of the grant).

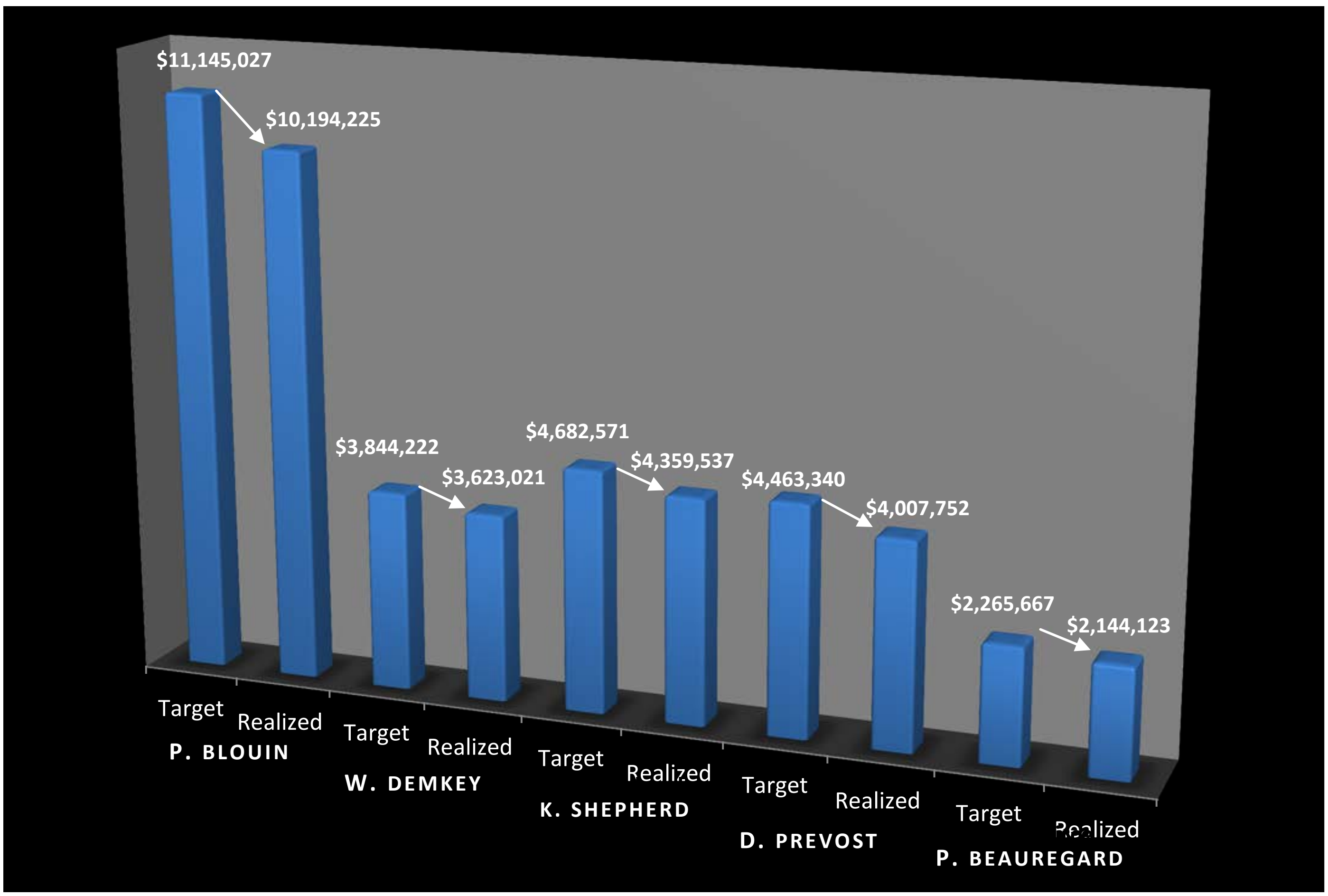
There is an inherent "catch up" aspect to this methodology, in which subsequent share price changes will cause the same figures in last year's Circular to become "restated". For example, last year our Circular used the December 31, 2012 VWAP of $32.24 to determine what was realized for 2011 and 2012. This year, for those same years, we use the new, lower VWAP of $29.06, which would cause the "realized" numbers to be restated downwards.

COMPARISON OF 'REALIZED' VERSUS 'TARGET' COMPENSATION

The Company's "at risk" pay structure works. As illustrated over the following pages, the relative rate of "realized" compensation was closer to target in 2011 and 2012 reflecting financial results were within outlook ranges. In contrast, the challenging year in 2013 is reflected in the much lower "realized" compensation levels. The ensuing results are exactly what we would expect given we are trying to align our executives' compensation with the interests of our shareholders.

The following chart demonstrates the degree of risk associated with short and longer-term incentives, to the extent that factors like share price, reduced dividend rate and other financial and operating performance influence what the Company's executives realize as take-home pay.

3-YEAR TOTAL DIRECT COMPENSATION TARGET V. REALIZED PER NEO | 2011 – 2013



OVERVIEW OF NEO COMPENSATION

The following charts and tables provide more specific details on the direct impact that this underperformance had on the NEOs' compensation levels realized value as of December 31, 2013.

OVERVIEW | PIERRE BLOUIN

Chief Executive Officer
Winnipeg, Manitoba

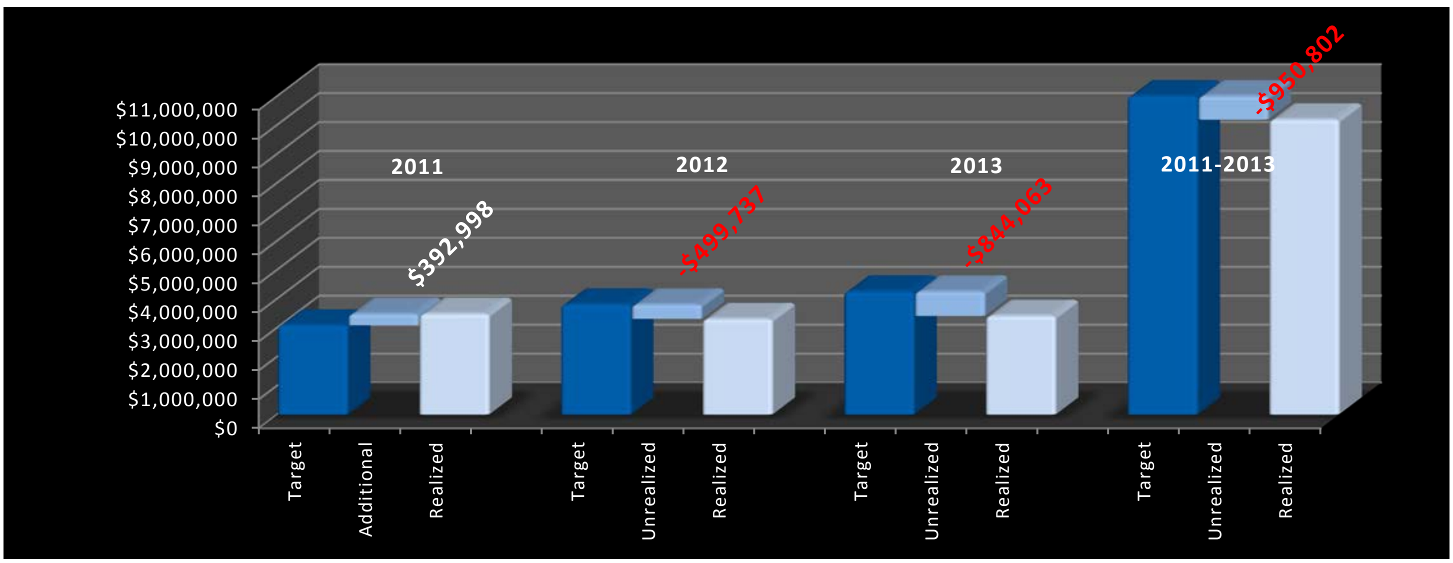
Experience:
29 years in Telecom
9th year at MTS Allstream

Pierre J. Blouin is a seasoned telecommunications executive with a wide range of experience in the Canadian Telecom industry. He was appointed Chief Executive Officer of the Company on December 7, 2005. Prior to this appointment, Mr. Blouin spent over 20 years at BCE Inc. and Bell Canada, with his last position being Group President - Consumer Markets of Bell Canada where he was responsible for all of Bell's consumer products including wireless, internet, television, residential telephony and retail channels. Prior to that, he was Chief Executive Officer of Emergis Inc. (formerly known as BCE Emergis Inc.) and CEO of Bell Mobility. In addition to being a Director of the Company and its material subsidiaries, he is also a Director of various non-profit organizations related to healthcare, education and professional sports.

Mr. Blouin holds a Bachelor's degree in Finance and Marketing from the École des Hautes Études Commerciales "HEC" (affiliated to the University of Montreal) with the honour of "Prix Relève d'excellence HEC" and is a fellow of the Purchasing Management Association of Canada and of the Canadian Bankers Institute.

2009 – 2013 TOTAL DIRECT COMPENSATION

Pierre Blouin Chief Executive Officer	Base Salary (Annualized)		Short-Term Incentive		Stock Option $ Value		Performance Share Units $ Value		Restricted Share Units $ Value		Total Direct Compensation $ Value		Percent Difference Between Target & Realized
	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	
2009-2013	4,124,000	4,124,000	3,505,400	3,990,121	2,469,381	0	4,569,101	3,552,521	3,337,161	3,263,688	18,005,043	14,930,330	-17%
2011-2013	2,524,000	2,524,000	2,145,400	2,426,941	669,382	0	3,169,092	2,637,904	2,637,153	2,605,380	11,145,027	10,194,225	-9%
2013	**850,000**	**850,000**	**722,500**	**667,951**	**0**	**0**	**1,338,762**	**684,806**	**1,342,537★**	**1,206,979**	**4,253,799**	**3,409,736**	**-20%**
2012	850,000	850,000	722,500	881,739	669,382	0	892,521	865,679	669,399	706,647	3,803,802	3,304,065	-13%
2011	824,000	824,000	700,400	877,251	0	0	937,809	1,087,419	625,217	691,754	3,087,426	3,480,424	13%
2010	800,000	800,000	680,000	723,180	1,200,001	0	500,000	434,509	200,000	179,960	3,380,001	2,137,649	-37%
2009	800,000	800,000	680,000	840,000	599,998	0	900,009	480,108	500,008	478,348	3,480,015	2,598,456	-25%



VPP Target: Financial (65% Weight)

Specific financial metrics (including results as percentage of target) are described in detail under "2013 Performance Measures". All of financial metrics achieved at least the "threshold" level, and several exceeded target.

In 2013, Mr. Blouin's VPP financial targets paid out at 57.62%.

VPP Target: Personal & Strategic (35% Weight)

Mr. Blouin's personal and strategic objectives primarily involved strategies to increase long-term shareholder value and deliverables specific to the role of CEO, with the goal of ensuring corporate sustainability and competitiveness.

Specifically, Mr. Blouin's objectives included:

- ☑ Achievement of a wide range of confidential strategic objectives, most prominent and time-consuming of which was the Strategic Review process in respect of the Allstream division.
- ☑ Delivered strong cost cutting initiatives, while maintaining and in fact improving customer experience levels across both divisions.
- ☑ Achieved some of the best operating metrics in Canada at MTS and increased subscribers for all consumer strategic products (wireless, Internet & TV).
- ☑ In Manitoba, developed growth opportunities and new sources of revenues, expanding the LTE network, FTTH and VDSL2 (Fibre to the Node). In Allstream, objectives were constrained for much of the year due to "handcuffs" imposed by the ordinary course of business covenants in the sale agreement, though results were quickly stabilized and improved following the rejection of the sale process
- ☑ Drove financial stability, put in place a solid strategy to resolve pension solvency concerns and strengthen balance sheet.
- ☑ As is the case with all NEOs, objectives were also linked to "employee engagement" which resulted in a solid improvement.

In 2013, Mr. Blouin's VPP personal & strategic targets paid out at 157%.

Overall Outcome

- ☑ VPP award was $667,951, representing 92% of his target VPP award.

★ **Includes $450,000 of RSUs at target ($390,794 realized) in lieu of pension benefits. See page 92.**

OVERVIEW | WAYNE DEMKEY

Chief Financial Officer
Winnipeg, Manitoba

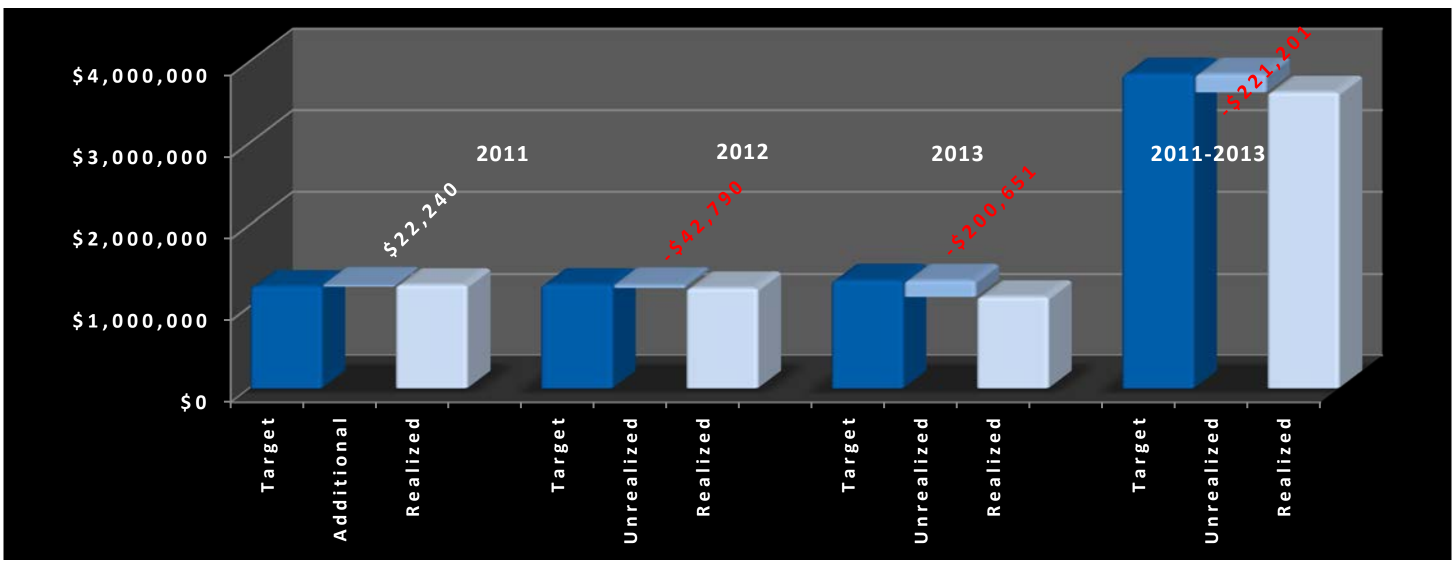
Experience:
18 years in Telecom
18th year at MTS Allstream

Wayne Demkey was named Chief Financial Officer in 2001. In this role, he is responsible for the development of all financial strategies and policies, and for the delivery of related services including financial reporting, treasury, investor relations, taxation and budgeting. Mr. Demkey is also responsible for procurement and real estate services.

Mr. Demkey's financial background is extensive. He graduated with a Bachelor of Commerce from the University of Manitoba in 1985, and obtained his Chartered Accountant designation in 1988. Prior to joining Manitoba Telecom Services Inc. as Corporate Controller in 1996, Mr. Demkey spent eleven years with KPMG Chartered Accountants, with his last position being Senior Manager Audit and Business Advisory Services.

2009 – 2013 TOTAL DIRECT COMPENSATION

Wayne Demkey Chief Financial Officer	Base Salary (Annualized)		Short-Term Incentive		Stock Option $ Value		Performance Share Units $ Value		Restricted Share Units $ Value		Total Direct Compensation $ Value		Percent Difference Between Target & Realized
	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	
2009-2013	2,146,400	2,146,400	1,287,840	1,300,927	267,836	0	1,018,189	774,136	1,537,282	1,627,914	6,257,547	5,849,377	-7%
2011-2013	1,336,400	1,336,400	801,840	844,256	112,536	0	655,157	504,434	938,289	937,931	3,844,222	3,623,021	-6%
2013	**464,500**	**464,500**	**278,700**	**228,061**	**0**	**0**	**261,294**	**133,652**	**319,374**	**297,004**	**1,323,868**	**1,123,217**	**-15%**
2012	446,600	446,600	267,960	305,207	55,836	0	195,390	176,449	307,064	301,804	1,272,850	1,230,060	-3%
2011	425,300	425,300	255,180	310,988	56,700	0	198,473	194,333	311,851	339,123	1,247,504	1,269,744	2%
2010	405,000	405,000	243,000	225,577	58,800	0	205,522	228,755	322,963	377,995	1,235,285	1,237,327	0%
2009	405,000	405,000	243,000	231,094	96,500	0	157,510	40,947	276,030	311,988	1,178,040	989,029	-16%



VPP Target: Financial (70% Weight)

Specific financial metrics (including results as percentage of target) are described in detail under "2013 Performance Measures". All of financial metrics achieved at least the "threshold" level, and several exceeded target.

In 2013, Mr. Demkey's VPP financial targets paid out at 54.76%.

VPP Target: Personal & Strategic (30% Weight)

Mr. Demkey's personal and strategic objectives primarily centered around roles specific to the role of CFO and included:

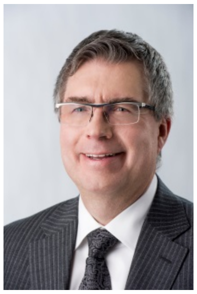
- ☑ Effective financial stewardship of Company, ensuring all metrics were within guidance ranges published to shareholders, and delivering strong cost savings.
- ☑ Significant role and efforts in Strategic Review process, and oversubscribed equity offering.
- ☑ Maintaining relationships with credit rating agencies, including maintenance of existing credit ratings.
- ☑ As is the case with all NEOs, objectives were also linked to "employee engagement".

In 2013, Mr. Demkey's VPP personal & strategic targets paid out at 145%.

Overall Outcome

- ☑ VPP award was $228,061, representing 82% of his target VPP award.

OVERVIEW | KELVIN SHEPHERD



Kelvin Shepherd
President, MTS
Winnipeg, Manitoba

Experience:
33 years in Telecom
14th year at MTS Allstream

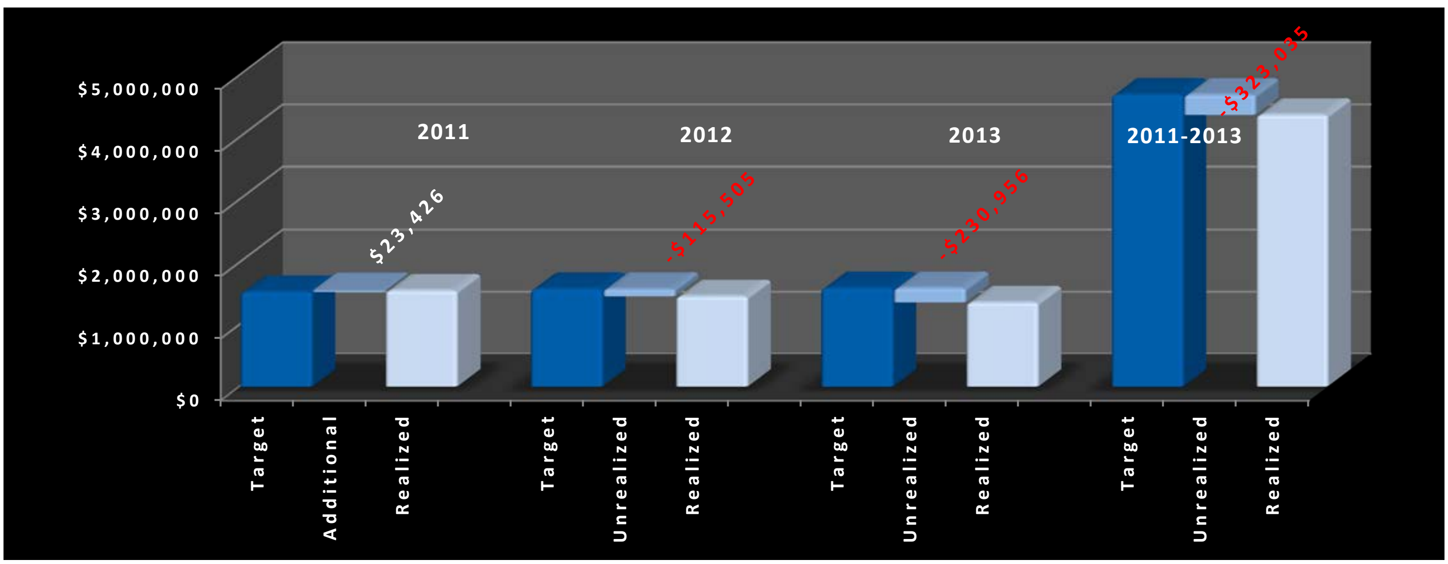
Kelvin Shepherd has been President of MTS since 2006. Mr. Shepherd had previously been Senior Vice-President and Chief Technology Officer with Saskatchewan Telecommunications (SaskTel) prior to joining Manitoba Telecom Services Inc. in 2000 as Vice President Network Services and Chief Technology Officer.

Mr. Shepherd is a registered Professional Engineer and member of the Association of Professional Engineers and Geoscientists of Manitoba, and holds a Bachelor of Science degree in Electrical Engineering from University of Saskatchewan.

Mr. Shepherd is a past Chair of the Board of Trustees of Victoria General Hospital in Winnipeg. He is a Member of the Associates, Asper School of Business and has served on the United Way of Winnipeg Annual Campaign in a number of roles: Campaign Cabinet (2008-2010); Major Donor Cabinet (2011); and Leadership Chair for Major Corporations (2011).

2009 – 2013 TOTAL DIRECT COMPENSATION

Kelvin Shepherd President MTS	Base Salary (Annualized)		Short-Term Incentive		Stock Option $ Value		Performance Share Units $ Value		Restricted Share Units $ Value		Total Direct Compensation $ Value		Percent Difference Between Target & Realized
	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	
2009-2013	2,426,500	2,426,500	1,577,225	1,512,897	353,935	0	1,315,809	991,875	1,968,974	2,080,269	7,642,443	7,011,541	-8%
2011-2013	1,486,500	1,486,500	966,225	988,567	147,435	0	855,997	659,244	1,226,414	1,225,226	4,682,571	4,359,537	-7%
2013	**503,700**	**503,700**	**327,405**	**291,587**	**0**	**0**	**339,999**	**173,929**	**415,569**	**386,502**	**1,586,673**	**1,355,717**	**-15%**
2012	498,700	498,700	324,155	315,889	74,810	0	261,825	236,444	411,457	404,409	1,570,947	1,455,442	-7%
2011	484,100	484,100	314,665	381,091	72,625	0	254,173	248,871	399,388	434,315	1,524,951	1,548,377	2%
2010	470,000	470,000	305,500	261,814	71,400	0	249,798	278,037	392,525	459,410	1,489,223	1,469,261	-1%
2009	470,000	470,000	305,500	262,516	135,100	0	210,014	54,595	350,035	395,633	1,470,649	1,182,744	-20%



VPP Target: Financial (70% Weight)

Specific financial metrics (including results as percentage of target) are described in detail under "2013 Performance Measures". All of financial metrics achieved at least the "threshold" level, and several exceeded target.

In 2013, Mr. Shepherd's VPP financial targets paid out at 84.37%

VPP Target: Personal & Strategic (30% Weight)

Mr. Shepherd's personal and strategic objectives primarily centered around roles specific to the results and operations of MTS, and included:

- ☑ Continued expansion of LTE network, Fiber-to-the-Home and VDSL2 (fibre to the node) programs
- ☑ Maintain strong MTS customer satisfaction levels.
- ☑ Delivering subscriber and ARPU growth for MTS strategic products (wireless, internet and TV).
- ☑ Delivering opportunities for growth in Manitoba, such as the acquisition of EPIC Information Systems and the plans to build a data centre in Manitoba, as well as improved agreement for joint network sharing with Rogers.
- ☑ As is the case with all NEOs, objectives were also linked to "employee engagement".

In 2013, Mr. Shepherd's VPP personal & strategic targets paid out at 100%.

Overall Outcome

- ☑ VPP award was $291,587, representing 89% of his target VPP award.

OVERVIEW | DEAN PREVOST

Dean Prevost ★
President, Allstream
Toronto, Ontario

Experience:
18 years in Telecom
16th year at MTS Allstream

★ Retired January 2014

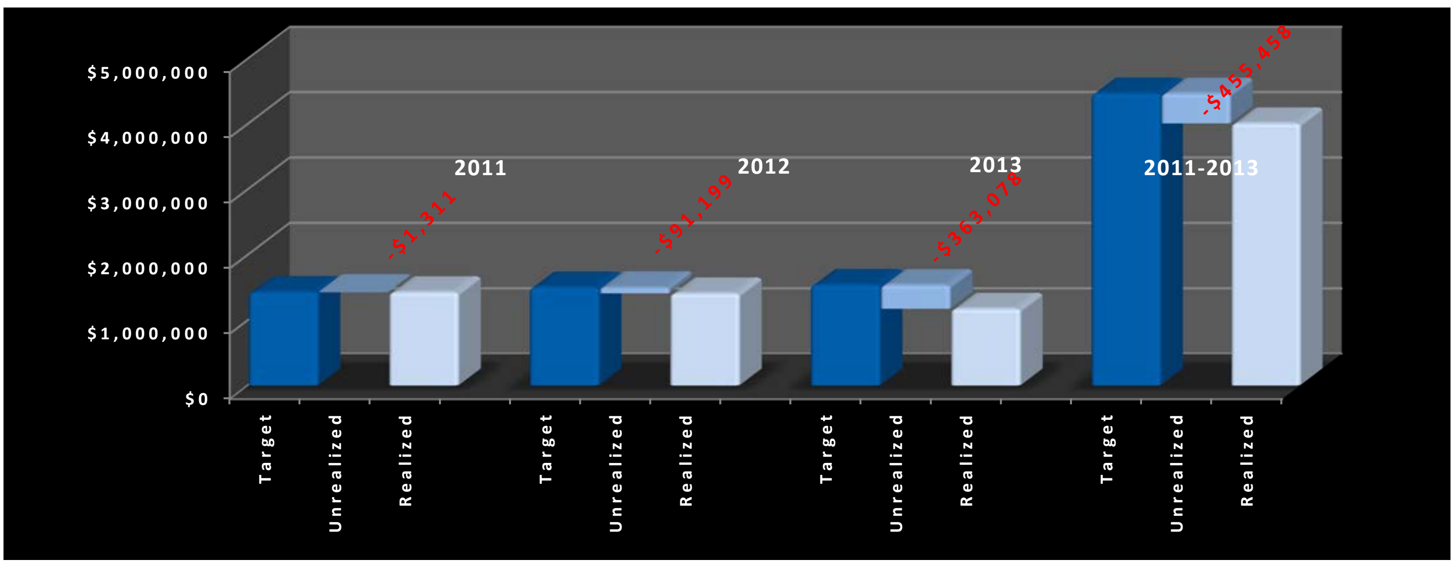
Dean Prevost retired in January 2014. Dean Prevost has been the President of Allstream since January 2009. Prior to his appointment to his current position, Mr. Prevost was the President of the Enterprise Solutions Division. He has also held the positions of Chief Corporate Officer, Chief Strategy Officer, Chief Marketing Officer, Executive Vice-President, Customer Operations/Service Delivery; Executive Vice-President and President, IT Services.

Mr. Prevost held the position of Vice-President, Strategy and Business Development of AT&T Canada Enterprises Inc. from 1997-1998. Prior to joining MTS Allstream, he was a senior consultant with Monitor Company, an international strategy consulting firm, where he assisted clients in the telecommunication, banking, manufacturing and retail industries.

Mr. Prevost holds a Bachelor of Commerce in Finance with distinction from the University of Calgary and a Masters of Business Administration from Harvard Business School. Mr. Prevost currently serves on the Board of Directors for JUMP Math, a charitable organization working to create numerate children. He also serves on the Board of Directors for the YMCA of Greater Toronto.

2009 – 2013 TOTAL DIRECT COMPENSATION

Dean Prevost President Allstream	Base Salary (Annualized)		Short-Term Incentive		Stock Option $ Value		Performance Share Units $ Value		Restricted Share Units $ Value		Total Direct Compensation $ Value		Percent Difference Between Target & Realized
	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	
2009-2013	2,296,900	2,296,900	1,492,985	1,222,134	320,806	0	1,239,009	932,429	1,843,423	1,944,720	7,193,123	6,396,183	-11%
2011-2013	1,416,900	1,416,900	920,985	796,995	139,381	0	817,091	627,054	1,168,983	1,166,803	4,463,340	4,007,752	-10%
2013	**487,800**	**487,800**	**317,070**	**142,999**	**0**	**0**	**329,294**	**168,441**	**402,441**	**374,286**	**1,536,605**	**1,173,527**	**-24%**
2012	475,900	475,900	309,335	320,472	71,390	0	249,852	225,631	392,624	385,898	1,499,101	1,407,902	-6%
2011	453,200	453,200	294,580	333,524	67,991	0	237,945	232,982	373,918	406,618	1,427,634	1,426,323	0%
2010	440,000	440,000	286,000	228,886	65,625	0	229,394	255,326	389,225	455,548	1,410,244	1,379,760	-2%
2009	440,000	440,000	286,000	196,253	115,800	0	192,524	50,049	285,215	322,369	1,319,539	1,008,671	-24%



VPP Target: Financial (70% Weight)

Specific financial metrics (including results as percentage of target) are described in detail under "2013 Performance Measures". All of financial metrics achieved at least the "threshold" level, and several exceeded target.

In 2013, Mr. Prevost's VPP financial targets paid out at 21.57%.

VPP Target: Personal & Strategic (30% Weight)

Mr. Prevost's personal and strategic objectives primarily centered around roles specific to the results and operations of Allstream, and included:

- ☑ Maintain stability and continuity in Allstream during the disruptive Strategic Review process
- ☑ Continued implementation of IP Strategy of increasing number of "on net" buildings, faster and lower cost installation from field operations, and substantially increase the utilization of co-location facilities to reduce third party telco costs.
- ☑ Managed deliberate migration of low margin legacy services to IP while discontinuing unprofitable product lines.
- ☑ Maintain Allstream's customer satisfaction levels at a world class level.
- ☑ As is the case with all NEOs, objectives were also linked to "employee engagement".

In 2013, Mr. Prevost's VPP personal & strategic targets paid out at 100%.

Overall Outcome

- ☑ VPP award was $142,999, representing 45% of his target VPP award.

OVERVIEW | PAUL A. BEAUREGARD

Paul A. Beauregard
Chief Corporate & Strategy Officer and Corporate Secretary
Winnipeg, Manitoba

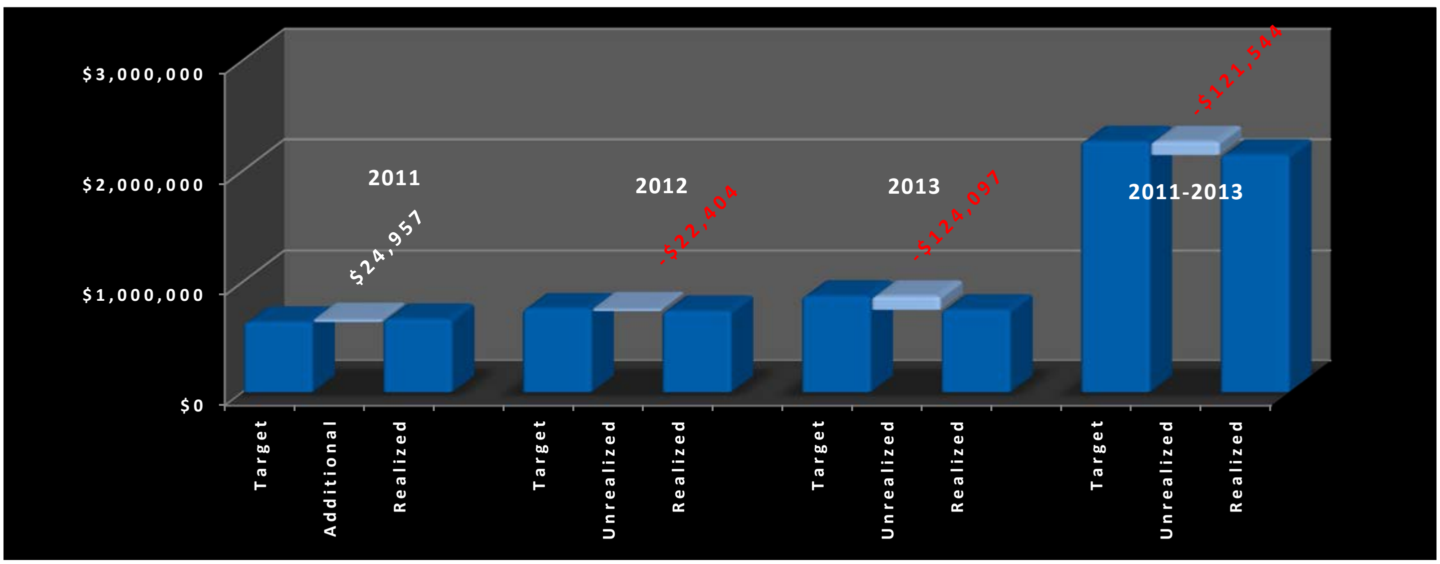
Experience:
12 years in Telecom
5th year at MTS Allstream

Paul Beauregard has been Chief Corporate and Strategy Officer & Corporate Secretary since January 1, 2014, and has held four other prior legal and administrative roles of increasing scope since joining the Company in 2008. In his current role, Mr. Beauregard is responsible for the strategy, legal, human resources, corporate and employee communications, community investment, regulatory, government relations, and internal security functions, as well as responsibility for the Board of Directors / corporate secretariat. Mr. Beauregard reports into both the CEO and the Chair of the Board of Directors.

Previously to joining the Company, Mr. Beauregard was a Vice-President at Bell Canada / BCE, and was an equity partner at Davies Ward Phillips & Vineberg LLP. P. Beauregard holds a J.D. (LL.B.) from the University of Toronto, and a B.A. (Hons) from the University of Winnipeg.

2009 – 2013 TOTAL DIRECT COMPENSATION

Paul Beauregard Chief Corporate & Strategy Officer & Corporate Secretary	Base Salary (Annualized)		Short-Term Incentive		Stock Option $ Value		Performance Share Units $ Value		Restricted Share Units $ Value		Total Direct Compensation $ Value		Percent Difference Between Target & Realized
	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	
2009-2013	1,420,334	1,420,334	645,015	649,984	43,507	0	399,161	302,278	574,745	576,965	3,082,762	2,949,561	-4%
2011-2013	940,334	940,334	453,015	474,716	39,261	0	346,740	254,499	486,317	474,575	2,265,667	2,144,123	-5%
2013	**348,384**	**348,384**	**174,192**	**142,543**	**0**	**0**	**156,801**	**79,449**	**191,652**	**176,556**	**871,029**	**746,932**	**-14%**
2012	303,200	303,200	151,600	172,672	30,330	0	106,141	95,852	166,783	163,927	758,054	735,650	-3%
2011	288,750	288,750	127,223	159,501	8,931	0	83,798	79,198	127,882	134,092	636,584	661,541	4%
2010	250,000	250,000	100,000	98,080	0	0	40,034	44,559	60,909	71,288	450,943	463,927	3%
2009	230,000	230,000	92,000	77,188	4,246	0	12,387	3,220	27,519	31,103	366,152	341,511	-7%



VPP Target: Financial (70% Weight)

Specific financial metrics (including results as percentage of target) are described in detail under "2013 Performance Measures". All of financial metrics achieved at least the "threshold" level, and several exceeded target.

In 2013, Mr. Beauregard's VPP financial targets paid out at 54.76%.

VPP Target: Personal & Strategic (30% Weight)

Mr. Beauregard's personal and strategic objectives primarily centered around:

- ☑ Cost-effectively managed and restructured various corporate groups and successfully launched a new community investment program in Manitoba.
- ☑ Significant role and efforts in Strategic Review process.
- ☑ Support drive for effective governance at the Board level.
- ☑ Support the CEO in multiple confidential strategic initiatives for both divisions.
- ☑ As is the case with all NEOs, objectives were also linked to "employee engagement".

In 2013, Mr. Beauregard's VPP personal & strategic targets paid out at 145%.

Overall Outcome

- ☑ VPP award was $142,543, representing 82% of his target VPP award.

FIVE-YEAR COMPARISON OF "PAY VERSUS PERFORMANCE"

To conclude our analysis of whether our approach to compensation pays for performance, we have aggregated all of the above information and compared it to the total shareholder return (or "TSR") that is displayed in the following Performance Graph. This comparison shows how our "pay for performance" system works. Given the longer-term aspects of some of the Company's incentive plans, we would not always expect to see a direct, in-year correlation between TSR and "pay for performance". However, overall the following table demonstrates the linkages between NEO compensation and TSR. In fact, the following table shows that the overall economic impact on our NEOs has been more than commensurate to the economic impact on our shareholders.

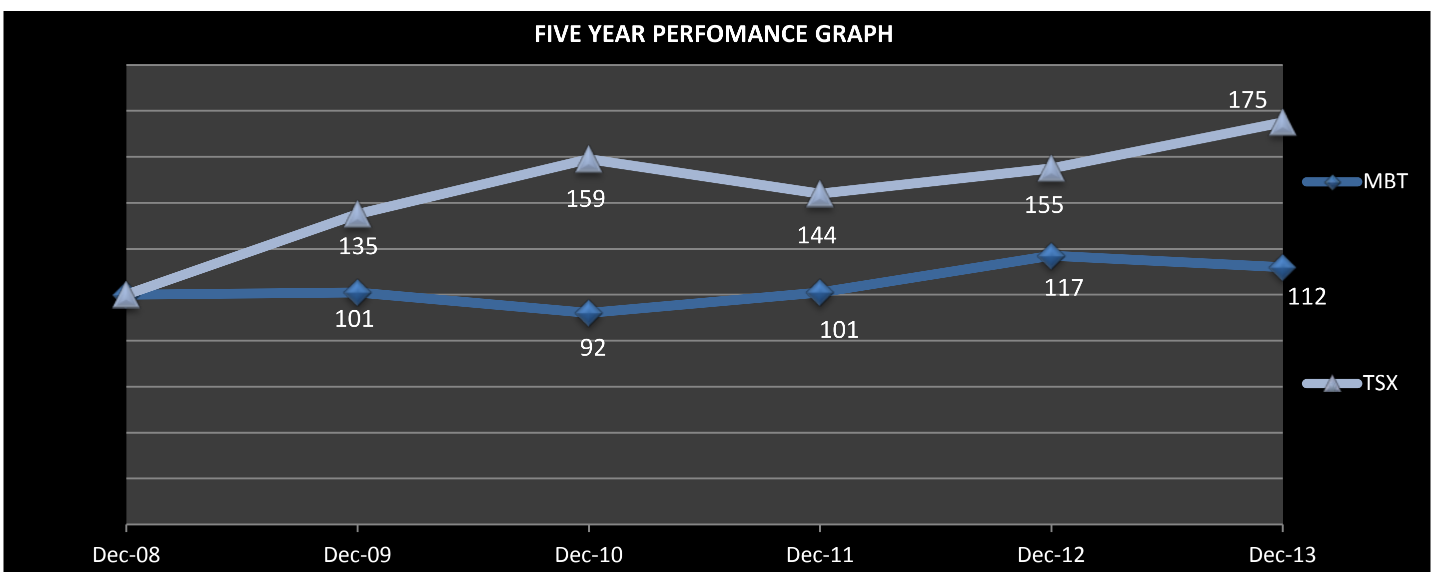
Time Period	TSR(1)	Percentage Difference Between Target & Realized Compensation For All NEOs(2)
2009	0.7%	(21.7%)
2010	(8.5%)	(16.0%)
2011	9.9%	5.8%
2012	15.1%	(8.7%)
2013	(3.6%)	(18.4)%
2009 – 2013	12.4%	(12%)

(1) TSR metric reflects total shareholder return from January 1 to December 31 of the relevant time period, including reinvestment of dividends. 2009-2013 TSR is the cumulative return for that period.

(2) Represents the difference between the aggregate compensation actually earned by all NEOs from January 1 to December 31 of the relevant time period, compared to the target compensation of all NEOs from January 1 to December 31 of the same relevant time period.

FIVE-YEAR PERFORMANCE GRAPH

The following graph compares the change over the last five years in the shareholder cumulative total return on the Common Shares of the Company with the cumulative total return of the S&P/TSX Composite Index, assuming a $100 investment at the closing Friday, December 31, 2008, share price of $35.98 and reinvestment of dividends.



	Dec. 31/08	Dec. 31/09	Dec. 31/10	Dec. 31/11	Dec. 31/12	Dec. 31/13
S&P/TSX Composite Index	100	135	159	144	155	175
MTS Common Shares	100	101	92	101	117	112

INCENTIVE PLAN AWARDS

OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

The following table describes all option-based awards and share-based awards granted to the NEOs that were outstanding as at December 31, 2013.

Name	Number Of Securities Underlying Unexercised Options[(1)] (#)	Option Exercise Price[(2)] ($)	Option-Based Awards		Share-Based Awards					
			Option Expiration Date	Value Of Unexercised In-The-Money Options[(3)] ($)	Number Of Shares Or Units Of Shares That Have Not Vested (#)		Market Or Payout Value Of Share-Based Awards That Have Not Vested[(4)] ($)		Market Or Payout Value Of Vested Share-Based Awards Not Paid Out Or Distributed[(6)] ($)	
					PSUs	RSUs	PSUs	RSUs	PSUs	RSUs
Pierre J. Blouin[(5)]	450,000	40.44	December 6, 2015	Nil	42,847	41,535	1,245,134	1,207,007	0	0
	155,440	32.93	March 9, 2019	Nil						
	685,715	33.67	February 3, 2020	Nil						
	240,785	32.36	February 8, 2022	Nil						
Wayne S. Demkey	40,000	45.61	June 14, 2014	Nil	22,398	32,276	650,886	937,941	0	0
	25,500	49.03	January 3, 2015	Nil						
	25,500	38.78	January 30, 2016	Nil						
	35,000	47.03	January 31, 2017	Nil						
	45,000	42.24	February 7, 2018	Nil						
	25,000	35.19	February 9, 2019	Nil						
	33,600	33.67	February 3, 2020	Nil						
	17,500	30.91	February 9, 2021	Nil						
	20,085	32.36	February 8, 2022	Nil						
Kelvin A. Shepherd	25,000	45.61	June 14, 2014	Nil	29,249	42,163	849,976	1,225,257	0	0
	25,500	49.03	January 3, 2015	Nil						
	40,000	38.78	January 30, 2016	Nil						
	50,000	47.03	January 31, 2017	Nil						
	55,000	42.24	February 7, 2018	Nil						
	35,000	35.19	February 9, 2019	Nil						
	40,800	33.67	February 3, 2020	Nil						
	22,415	30.91	February 9, 2021	Nil						
	26,910	32.36	February 8, 2022	Nil						
Dean L. Prevost	10,000	49.03	January 3, 2015	Nil	27,894	40,152	810,600	1,166,817	0	0
	20,000	38.78	January 30, 2016	Nil						
	35,000	47.03	January 31, 2017	Nil						
	10,000	49.31	September 11, 2017	Nil						
	45,000	42.24	February 7, 2018	Nil						
	30,000	35.19	February 9, 2019	Nil						
	37,500	33.67	February 3, 2020	Nil						
	20,985	30.91	February 9, 2021	Nil						
	25,680	32.36	February 8, 2022	Nil						
Paul A. Beauregard	1,100	35.19	February 9, 2019	Nil	11,588	16,331	336,747	474,579	0	0
	2,748	33.60	June 8, 2021	Nil						
	10,910	32.36	February 8, 2022	Nil						

(1) Each option entitles the holder to acquire one Common Share of the Company.

(2) The exercise price of an option is equal to the weighted average of the trading prices of the Common Shares of the Company on the five (5) consecutive trading days preceding the date of grant.

(3) An option is in-the-money at year end if the market value of the underlying securities as at that date exceeds the exercise price of the option. The weighted average of the trading prices of the Common Shares of the Company on the five (5) consecutive trading days preceding December 31, 2013 was $29.06. The options vest in increments of 20% per year commencing on the first anniversary of the date of grant.

(4) The market value of the share-based awards is calculated on the basis of the weighted average of the trading prices of the Common Shares of the Company on the five (5) consecutive trading days preceding December 31, 2013, which was $29.06. Assumptions were made that 100% of performance factors were achieved notwithstanding that certain performance factors were known to have not been achieved.

(5) Mr. Blouin received a grant of stock options in December 2005 to acquire 450,000 Common Shares at an exercise price of $40.44. In accordance with the terms of his employment contract, Mr. Blouin is eligible for further grants of options on an annual basis commencing in 2010 as determined by the Board of Directors.

(6) All of our share-based awards plans vest and are distributed simultaneously.

INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR

We did not issue stock options in our 2013 and 2014 annual LTIP grants.

The following table provides information on incentive plan awards that vested or were earned during the financial years Ending December 31, 2012 and December 31, 2013.

Name	Option-Based Awards Value Vested During the Year (1) ($)		Gains From Actual Exercised Options During the Year ($)		Share-Based Awards Value Vested During the Year ($)				Non-Equity Incentive Plan Compensation Value Earned During the Year(2) ($)	
					PSUs		RSUs			
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Pierre J. Blouin	Nil	Nil	Nil	Nil	865,679	1,087,419	706,647	691,754	667,951	881,739
Wayne S. Demkey	Nil	Nil	Nil	Nil	228,755	40,947	377,995	311,988	228,061	305,207
Kelvin A. Shepherd	Nil	Nil	Nil	Nil	278,037	54,595	459,410	395,633	291,587	315,889
Dean L. Prevost	Nil	Nil	Nil	Nil	255,326	50,049	455,548	322,369	142,999	320,472
Paul A. Beauregard	Nil	Nil	Nil	Nil	44,559	3,220	71,288	31,103	142,543	172,672

(1) Stock options vest in increments of 20% per year commencing on the first anniversary of the date of grant. The amounts specified represent the value, on the vesting date, of the 20% increment of the stock options that vested during 2013, where the market value of such vested stock option increment on the vesting date exceeds the exercise price of the option.

(2) The amount shown represents the annual variable pay plan award for the specified financial year as shown in the "Non-Equity Incentive Plan Compensation – Annual Incentive Plans" column of the Summary Compensation Table.

The Company did not issue options in 2013 or 2014.

EQUITY COMPENSATION PLAN INFORMATION

Except as described below, the Company's Stock Option Plan is the only compensation plan under which equity securities of the Company have been authorized for issuance. The Stock Option Plan was approved by the shareholders of the Company at its annual meeting held on May 30, 1997. A total of 3,500,000 Common Shares of the Company were reserved for issuance under the Stock Option Plan. At the Company's annual meeting held on May 8, 2007, shareholders approved an amendment to the Stock Option Plan which increased the maximum number of Common Shares that are reserved for issuance under the Stock Option Plan by 3,500,000. As a result, a total of 7,000,000 Common Shares are reserved for issuance under the Stock Option Plan.

Pursuant to the Company's Stock Option Plan, 20% of an option vests each year commencing on the first anniversary of the date of grant, and may be exercised for a period of 10 years from the date of grant, or a lesser period in the event the option holder's employment ceases. The exercise price of an option is equal to the weighted average of the trading prices of the Common Shares on the five (5) consecutive trading days preceding the date of grant. Any options that have not vested at the time that an employee ceases to be employed are forfeited, except that the Board of Directors may accelerate in its sole discretion, the vesting of options that would otherwise be forfeited. The Stock Option Plan provides that the aggregate number of Common Shares that may be issued to insiders of the Company under the Stock Option Plan and all other security based compensation arrangements during any one-year period or that are issuable at any time to insiders of the Company must not exceed 10% of the total issued and outstanding securities of the Company.

All of our options are underwater.

On December 7, 2005, options to acquire 450,000 Common Shares of the Company were granted to Pierre J. Blouin as an inducement to Mr. Blouin to enter into a contract of full-time employment with the Company as its Chief Executive Officer. This stock option grant was approved by the TSX, and was made pursuant to subsection 613(c) of the TSX Company Manual, which provides that a security based compensation arrangement can be established by a listed issuer, without shareholder approval, if it is used as an inducement to a person to enter into a contract of full-time employment as an officer of the issuer, provided that the securities to such person do not exceed 2% of the number of securities of the issuer that are outstanding, on a non-diluted basis, prior to the date of the arrangement. Mr. Blouin's inducement options are subject to the same terms, including vesting provisions, as are options granted under the Company's Stock Option Plan.

The following table provides information as at December 31, 2013 regarding the Common Shares to be issued upon the exercise of options that are outstanding under the Stock Option Plan, as well as the number of Common Shares remaining available for issuance under the Stock Option Plan. This table also provides information on the inducement options that were granted pursuant to subsection 613(c) of the TSX Company Manual as described above.

	Securities To Be Issued Upon Exercise Of Outstanding Options		Weighted Average Exercise Price Of Outstanding Options	Number Of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column (a))	
Plan Category	% Of Common Shares Outstanding On Dec. 31	#	$	% Of Common Shares Outstanding On Dec. 31	#
Equity Compensation Plans Approved By Security Holders	3.08%	2,366,913	$37.63	3.56%	2,735,107
Equity Compensation Plans Not Approved By Security Holders	0.59%	450,000	$40.44	—	—
TOTAL	3.67%	2,816,913	$38.08	3.56%	2,735,107

STOCK OPTION OVERHANG, DILUTION AND BURN RATE

The following table sets out the Overhang, Dilution and Burn Rate percentages in respect of Options under the Company's Stock Option Plan for the fiscal years ended 2013, 2012 and 2011:

	2013	2012	2011
Overhang [1]	7.23%	8.29%	8.42%
Dilution [2]	3.67%	4.40%	4.27%
Burn Rate [3]	0%[4]	0.53%[5]	0.15%

(1) "**Overhang**" means the total number of Options available for issuance, plus all Options outstanding that have not yet been exercised, expressed as a percentage of the total number of issued and outstanding Common Shares of the Company at the end of the fiscal year.

(2) "**Dilution**" means Options issued but not exercised, expressed as a percentage of issued and outstanding Common Shares of the Company at the end of the fiscal year.

(3) "**Burn Rate**" means the number of Options issued each year, expressed as a percentage of the issued and outstanding Common Shares of the Company at the end of the fiscal year.

(4) No options were issued in 2013 or 2014.

(5) The Burn Rate increased in 2012 due to options issued to the CEO. Excluding these stock options, the 2012 burn rate would have been 0.17%.

PRICING OF STOCK OPTIONS

The fair value of stock options is estimated at the date of grant using the Black-Scholes option pricing model because it is the methodology commonly used by other issuers. The fair value of stock options is estimated with the following weighted average assumptions:

	2013[1]	2012	2011
Fair Value	N/A	$2.78	$3.24
Risk-Free Interest Rate	N/A	1.44% - 2.15%	2.69% - 3.55%
Expected Volatility	N/A	20.14%	20.25%
Expected Dividend Yield	N/A	5.27%	5.47%
Expected Life	N/A	6 Years	6 Years
Share Price	N/A	$32.23	$31.07
Exercise Price	N/A	$32.36	$30.91

(1) No options were issued in 2013.

Volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in the Company's option pricing model is the natural log of the Company's weekly historical stock prices, adjusted for unusual swings in the stock price due to events that are not expected to occur in the future. An expected life of 6 years is used to determine the fair value of the options based on the contractual term of the options. The other assumptions in the model are based on market data on the date of the valuation.

BOARD APPROVAL

The Board of Directors, with the support of the HRCC, gave careful consideration to the compensation decisions for each component of each NEO's compensation and the aggregate effect of these decisions, and they are satisfied that they are fair and reasonable in the context of both the absolute and relative performance of the Company and the NEO, as well as the compensation practices among the Company's identified Comparator Group companies' benchmarks.

PENSION PLAN BENEFITS

All of the NEOs participate in one or more pension plans, as set out below. At a general level, different pension plans are available for employees of MTS (largely applicable to employees based in Manitoba) and employees of Allstream (largely applicable to employees based outside of Manitoba). Executives formally employed at the "holding company level" are treated as if they are employees of MTS. As a result, each NEO participates in a registered pension plan offered to other employees in either MTS or Allstream. In addition, each NEO participates in a supplemental and/or executive pension plan, which also vary according to which entity the NEO was originally hired. Executive pension plans are offered to key executive level employees in order to aid in the Company's goal of attracting and retaining highly qualified individuals.

WE HAVE MOVED TO DEFINED CONTRIBUTION ARRANGEMENTS

The Company has been closing its existing defined benefit pension plans to new members. As a result, all new hires are now only entitled to participate in defined contribution pension plans. This change applies to all employees, including our executives, excepting only union employees of Allstream Inc. As all of our NEOs have been employed by the

Company for some period of time, they are all "grandfathered" within some defined benefit pension plans. However, going forward, new executives, including new NEOs, would be expected to only participate in defined contribution pension arrangements.

CONTRIBUTORY DEFINED BENEFIT PENSION PLAN (THE "MTS PENSION PLAN" OR THE "MPP")

NEO MEMBER	PIERRE J. BLOUIN, WAYNE S. DEMKEY, KELVIN A. SHEPHERD & PAUL A. BEAUREGARD
FORMULA	2% of the highest five-year average earnings (consisting of salary only and excluding bonuses) multiplied by years of credited service less 0.6% of the average Year's Maximum Pensionable Earnings (as established under the **Canada Pension Plan Act** (Canada) ("YMPE")) multiplied by years of credited service.
COST OF LIVING ADJUSTMENT (COLA)	COLA at a rate of two-thirds of the increase in the Consumer Price Index ("CPI") for Canada to a maximum CPI increase of 4%.
EMPLOYEE CONTRIBUTION RATE	5.1% of salary up to the YMPE, plus 7.0% of salary over the YMPE up to the maximum benefit limits imposed under the **Income Tax Act** (Canada).
RETIREMENT AGE	Rule of 80 – a member may retire with an unreduced pension at age 60 if they have at least 10 years of continuous service, or at any time after age 55 if their age plus years of continuous service total at least 80. Normal retirement is at age 65.
EARLY RETIREMENT REDUCTION	Members may retire 10 years prior to the date on which they first are eligible for an unreduced pension provided that they have at least two years of continuous service in the MPP. If the member retires after age 55 with 10 or more years of continuous service, but before becoming eligible for an unreduced pension, the pension benefit is reduced by 0.0625% for each full month that the early retirement date precedes the earlier of the date on which the member reaches age 60 or the date on which the member attains the Rule of 80. If the member retires on an early retirement date before attaining age 55 or with less than 10 years of continuous service, the pension benefit is actuarially reduced from age 65.
PENSION LIMIT	The maximum benefit payable under the Income Tax Act (Canada).

NON-CONTRIBUTORY SUPPLEMENTAL PENSION PLAN (THE "MTS SUPPLEMENTAL PENSION PLAN" OR THE "MSPP")

The MSPP provides supplemental pension benefits to some NEOs whose benefits under the MTS Pension Plan are limited by the maximum benefit limits imposed under the **Income Tax Act** (Canada).

NEO MEMBER	PIERRE J. BLOUIN, WAYNE S. DEMKEY, KELVIN A. SHEPHERD & PAUL A. BEAUREGARD
FORMULA	2% of the highest five-year average earnings (consisting of salary only and excluding bonuses) multiplied by years of credited service less 0.6% of the average Year's Maximum Pensionable Earnings (as established under the **Canada Pension Plan Act** (Canada) ("YMPE")) multiplied by years of credited service minus the pension benefit payable from the MPP.
COST OF LIVING ADJUSTMENT (COLA)	COLA at a rate of two-thirds of the increase in the CPI for Canada to a maximum CPI increase of 4%.
EMPLOYEE CONTRIBUTION RATE	All costs covered by the Company.
RETIREMENT AGE	**Rule of 80** – a member may retire with an unreduced pension at age 60 if they have at least 10 years of continuous service, or at any time after age 55 if their age plus years of continuous service total at least 80. Normal retirement is at age 65.
EARLY RETIREMENT REDUCTION	Members may retire 10 years prior to the date on which they first are eligible for an unreduced pension provided that they have at least two years of continuous service in the MSPP. If the member retires after age 55 with 10 or more years of continuous service, but before becoming eligible for an unreduced pension, the pension benefit is reduced by 0.0625% for each full month that the early retirement date precedes the earlier of the date on which the member reaches age 60 or the date on which the member attains the Rule of 80. If the member retires on an early retirement date before attaining age 55 or with less than 10 years of continuous service, the pension benefit is actuarially reduced from age 65.
PENSION LIMIT	Not applicable.

NON-CONTRIBUTORY EXECUTIVE PENSION PLAN (THE "MTS EXECUTIVE PENSION PLAN" OR "MEPP")

NEO MEMBER	PIERRE J. BLOUIN, WAYNE S. DEMKEY, KELVIN A. SHEPHERD & PAUL A. BEAUREGARD
FORMULA	The pension benefit for eligible executives under the MTS Executive Pension Plan is based on 2.5% of the highest five-year average earnings (consisting of salary only and excluding bonuses) multiplied by years of executive credited service less the pension benefit payable from the MPP and the MSPP in respect of such period of executive credited service.
COST OF LIVING ADJUSTMENT (COLA)	COLA at a rate of two-thirds of the increase in the CPI for Canada to a maximum CPI increase of 4%.
EMPLOYEE CONTRIBUTION RATE	All costs covered by the Company.
RETIREMENT AGE	**Rule of 80** - a member may retire with an unreduced pension at age 60 or at any time after age 55 if their age plus years of continuous service total at least 80. Normal retirement is at age 65.
EARLY RETIREMENT REDUCTION	Members may retire 10 years prior to the date on which they first are eligible for an unreduced pension provided that they have at least two years of credited executive service. If a member has attained age 55 but is not eligible for an unreduced pension, the pension benefit is reduced by .0625% for each full month that the early retirement date precedes the unreduced retirement date. If the member retires on an early retirement date before attaining age 55, the pension benefit is actuarially reduced from age 65.
PENSION LIMIT	Not applicable.

NON-CONTRIBUTORY DEFINED CONTRIBUTION PENSION PLAN (THE "ALLSTREAM DC PENSION PLAN" OR "ADCPP")

NEO MEMBER	DEAN L. PREVOST
FORMULA	Not applicable.
EMPLOYER CONTRIBUTION RATE	2.5% of the member's base salary up to a maximum annual contribution allowed under the **Income Tax Act** (Canada).
RETIREMENT AGE	65
EARLY RETIREMENT REDUCTION	Not applicable.
PENSION LIMIT	Not applicable.

NON-CONTRIBUTORY ALLSTREAM EXECUTIVE PENSION PLAN ("AEPP")

NEO MEMBER	DEAN L. PREVOST (RETIRED JANUARY 2014)
FORMULA	2% of the highest five-year average pensionable earnings (consisting of salary only and excluding bonuses) per year of credited service less the benefit deemed earned under the Allstream Non-Contributory Pension Plan ("ANCP"). An additional year of credited service is granted for each of the first five years of actual service. The ANCP has a benefit formula of 55% of the average highest five-year pensionable earnings (consisting of salary only and excluding bonuses) less the member's government benefits (Canada/Quebec Pension Plan benefits prior to termination or retirement) multiplied by years of credited service divided by 35.
EMPLOYEE CONTRIBUTION RATE	All costs covered by the Company.
RETIREMENT AGE	Members must attain retirement status to be eligible for pension benefits under this plan. Members are considered to have attained retirement status if, upon cessation of continuous service, they either (i) have attained age 60, or (ii) have attained age 55 and have been terminated without cause, voluntarily resigned within 18 months following a change of control, or the HRCC has approved the retirement status. A change of control means an acquisition of the majority of the Common Shares or substantially all of the assets of the company by any entity. Subject to attaining retirement status under the AEPP, members may retire with no reduction at age 62 or on or after age 55 if their age plus service (excluding any additional credited service) totals 85 points or more. Normal retirement is at age 65.
EARLY RETIREMENT REDUCTION	If members retire early, the reduction is the lesser of (i) 0.5% for each month that their retirement precedes age 62, and (ii) 3% for each point that their age plus service (excluding any additional credited service) totals less than 85.
PENSION LIMIT	The annual pension payable under the AEPP and ANCP combined is limited to 60% of the highest five-year average pensionable earnings.

ADDITIONAL PENSION ARRANGEMENTS FOR MR. BLOUIN

Under the terms of his employment contract with the Company as described in "Employment Agreements", Mr. Blouin is eligible to receive a top-up pension which, in combination with his pension benefits under the MPP, MSPP and MEPP, will provide an annual indexed pension benefit of $300,000 at retirement after reaching the age of 55. Mr. Blouin is currently 56 years old, and has reached this entitlement.

DEFINED BENEFITS PLAN TABLE

The pension benefits described below are determined using the same actuarial assumptions as were used to determine the accounting information for pension plans as disclosed in Notes 2 and 17 of the Company's audited annual consolidated financial statements for the period ended December 31, 2013.

The following table details the years of credited service, estimated pension benefits as at December 31, 2013, projected pension benefits to age 65, and the changes in the accrued pension obligations during 2013 for the NEOs participating in the defined benefit plans described above:

		Annual Benefits Payable[4] ($)					
Name	**Number of Years Credited Service [1]**	**At Year End**	**At Age 65**	**Opening Present Value At Jan. 1, 2013 ($)**	**2013 Compensatory Change ($)**	**2013 Non Compensatory Change ($)**	**Closing Present Value At Dec. 31, 2013 ($)**
Pierre J. Blouin	8.1	300,000	366,000	4,251,000	0[3]	(193,000)[3]	4,058,000
Wayne S. Demkey[2]	17.1	177,000	332,000	2,350,000	174,000	17,000	2,541,000
Kelvin A. Shepherd	13.1	163,000	299,000	2,195,000	135,000	39,000	2,369,000
Dean L. Prevost	19.6	0	0	1,074,000	0[5]	(1,074,000)[5]	0[5]
Paul A. Beauregard[2]	5.3	36,000	219,000	304,000	162,000	1,000	467,000

(1) Represents total service, including service in a basic pension plan prior to joining an executive pension plan. The credited service specified for Mr. Prevost includes 5.0 years of extra service under the AEPP.

(2) Mr. Demkey's executive service is 12.3 years and Mr. Beauregard's executive service is 2.6 years.

(3) Mr. Blouin was entitled to his full pension in 2013. The negative non-compensatory change largely related to the fact that P. Blouin could have retired but did not. The compensatory change includes the service cost for the year and any adjustments to the accrued obligation as a result of salary increases other than expected. The non-compensatory change reflects all other changes in the accrued obligation that are not included in the compensatory changes such as a change in the interest rate used to value the pension benefit.

(4) The annual benefits payable at year end and at age 65 represent the estimated pension earned for all service to date and the total service projected to age 65 respectively, and is calculated based on actual pensionable earnings as at the end of the current year. The benefits payable at year end do not include any reduction that may apply if an NEO retires prior to his normal retirement age.

(5) Mr. Prevost left Allstream in January of 2014 prior to attaining age 55 and therefore was not vested into his AEPP benefit. The Closing Present Value of Mr. Prevost's AEPP at December 31, 2013 is 0. Mr. Prevost accrued a compensatory change of $47,000 in 2013 however that amount did not vest due to his departure.

DEFINED CONTRIBUTION PLAN TABLE

The following table details the accumulated value as at December 31, 2013 and the compensatory changes in the accumulated value during 2013 for the NEOs participating in the defined contribution plan:

	Accumulated Value At Dec. 31, 2012	2013 Compensatory Change[1]	Accumulated Value At Dec. 31, 2013
Name	**($)**	**($)**	**($)**
Dean L. Prevost	134,052	12,067	162,205

(1) The compensatory change represents the employer contributions to the ADCPP.

EMPLOYMENT ARRANGEMENTS, TERMINATION AND CHANGE OF CONTROL BENEFITS

Each of the NEOs has an employment agreement, a continuity agreement and a surrender agreement in effect with the Company which include terms providing for certain payments in the event of the termination of the NEO's employment without cause or as a result of a change of control of the Company as described below.

EMPLOYMENT AGREEMENTS

PIERRE J. BLOUIN

Pierre J. Blouin has an employment contract with the Company pursuant to which his compensation is established annually. Mr. Blouin's employment agreement was last amended in mid-2013, as part of this annual review. His compensation has been established to be aligned with the Company achieving financial targets and creating shareholder value and includes: a short term variable bonus incentive which is subject to the achievement of target and stretch objectives as determined by the Board of Directors, calculated on the basis of a maximum of 85% of annual base salary for target objectives and a maximum of 170% of annual base salary for stretch objectives; and equity-based units valued at 262.5% of his annual base salary, which could take the form of PSUs, RSUs and/or stock options at the discretion of the HRCC. His employment agreement requires that the net after tax amount paid to him upon vesting of PSUs and RSUs shall be used to purchase Common Shares which he shall retain until his employment with the Company ceases and in certain cases for a minimum period of three (3) years from the date of grant of such PSUs and RSUs to align to the vesting period of other senior executives. Also, in 2013, Mr. Blouin became entitled to an unreduced pension and, as a result, was no longer "accruing" an additional pension benefit. In order to compensate Mr. Blouin, and on the advice of Mercer, the company's external compensation advisor at the time and independent counsel, it was agreed that Mr. Blouin would receive an annual grant of $450,000 worth of Restricted Share Units which, on vesting and after payment of taxes would need to be held in the form of Common Shares of the Company until retirement. In addition, in the event Mr. Blouin retires or ceases employment at any time (other than for cause), Mr. Blouin will be entitled to a pro rata portion of his RSUs and PSUs to vest as of such date.

Mr. Blouin's employment agreement provides that in the event Mr. Blouin's employment with the Company is terminated without cause, or if there has been constructive termination, which includes any material reduction in Mr. Blouin's title or responsibilities or his position is relocated outside of Winnipeg without his agreement, he will be entitled to a severance payment in an amount equal to the aggregate of his annual base salary and bonus paid during the two (2) fiscal years preceding his termination, as well as a continuation of employee benefits and perquisites for a two-year period. Mr. Blouin's employment contract also imposes non-competition and non-solicitation restrictions for a period of one (1) year following the termination of employment.

WAYNE S. DEMKEY

Wayne S. Demkey has an employment contract with the Company which establishes an initial annual base salary and provides for a short-term variable bonus incentive which is subject to the achievement of target and stretch objectives as determined by the Board of Directors, and which is calculated on the basis of a maximum of 60% of annual base salary for target objectives and a maximum of 90% of annual base salary for stretch objectives. This contract also provides that in the event Mr. Demkey's employment with the Company is terminated without cause, Mr. Demkey is entitled to a severance payment in the amount of one (1) and a half times the sum of his annual base salary, the average of his annual bonus paid in each of the two (2) preceding fiscal years, and the average of the value of his annual benefits for each of the two (2) preceding fiscal years. Mr. Demkey also is subject to non-competition and non-solicitation restrictions for a period of one (1) year following the termination of employment.

KELVIN A. SHEPHERD

Kelvin A. Shepherd has an employment contract with the Company which establishes an initial annual base salary and provides for a short-term variable bonus incentive which is subject to the achievement of target and stretch objectives as determined by the Board of Directors, and which is calculated on the basis of a maximum of 65% of annual base salary for target objectives and up to 97.5% of annual base salary for stretch objectives. This contract also provides that in the event Mr. Shepherd's employment with the Company is terminated without cause, Mr. Shepherd is entitled to a severance payment in the amount of one (1) and a half times the sum of his annual base salary, the average of his annual bonus paid in each of the two (2) preceding fiscal years, and the average of the value of his annual benefits for each of the two preceding fiscal years. Mr. Shepherd also is subject to non-competition and non-solicitation restrictions that will apply for a period of 14 months following the termination of his employment by the Company.

DEAN L. PREVOST

In January 2014, Mr. Prevost left the Company and no longer has an employment contract with the Company.

Previously, Mr. Prevost had an employment contract with the Company which establishes an initial annual base salary, and provides for a short-term variable bonus incentive which is subject to the achievement of target and stretch objectives as determined by the Board of Directors, and which is calculated on the basis of a maximum of 65% of annual base salary for target objectives and up to 97.5% of annual base salary for stretch objectives. This contract also provided that in the event Mr. Prevost's employment with the Company is terminated without cause, Mr. Prevost would be entitled to a severance payment in the amount of one (1) and a half times the sum of his annual base salary, the average of his annual bonus paid in each of the two (2) preceding fiscal years, and the average of the value of his annual benefits for each of the two (2) preceding fiscal years. Mr. Prevost was also subject to non-competition and non-solicitation restrictions that will apply for a period of 14 months following the termination of his employment by the Company.

PAUL A. BEAUREGARD

Paul A. Beauregard has an employment contract which establishes an initial base salary and provides for a short term variable bonus incentive which is subject to achievement of target and stretch objectives as determined by the Board and which is calculated on the basis of a maximum of 50% of annual base salary for target achievement and up to 75% for stretch obligations. This contract also provides that in the event of Mr. Beauregard's employment is terminated without cause, Mr. Beauregard is entitled to a severance payment in the amount of one (1) and a half times the sum of his annual base salary , the average of his annual bonus paid in each of the two (2) preceding fiscal years, and the average of the value of his annual benefits for each of the two (2) preceding fiscal years. Mr. Beauregard also is subject to non-competition and non-solicitation restrictions for a period of one (1) year following the termination of employment.

CONTINUITY AGREEMENTS

The Company has entered into a contract (the "Continuity Agreement") with each NEO which provides for a severance payment in the event of the termination of employment following a change of control of the Company. Each Continuity Agreement provides that in the event of involuntary termination of employment (other than for just cause or due to resignation) or constructive termination of employment (which consists of relocation or other material changes in the terms of employment) within 24 months of the occurrence of a change of control of the Company, the executive officer is entitled to receive a severance payment in an amount equal to two (2) times, and in the case of Mr. Blouin, three times, the executive officer's annual compensation, plus a pro-rated amount of the variable bonus that would have been payable if their employment had not been terminated. Entitlement to severance under an NEO's Continuity Agreement would not be in addition to severance under the NEO's employment contract in the event of termination without cause (i.e., the severance under the Continuity Agreements would supersede the severance otherwise payable under any employment contract or common law).

For purposes of determining the amount of the severance payment, "annual compensation" consists of the aggregate of the executive officer's annual salary prior to the date of termination, an amount equal to the annual benefits payable prior to the date of termination, and an amount equal to the average of the annual bonus paid in each of the two (2) fiscal years immediately preceding the year in which the termination of employment occurs.

"Change of control" is generally defined in the Continuity Agreements of Messrs. Blouin, Prevost and Beauregard as (i) the acquisition of 20% or more of the Common Shares by a person or by a group of affiliated persons, (ii) 50% or more of the members of the Board of Directors of the Company elected at a meeting of shareholders are individuals who are not Board members prior to such meeting of shareholders, (iii) a single shareholder of the Company has the right within two (2) years to nominate a majority of the members of the Board of Directors, or (iv) as otherwise determined by the Board of Directors in certain situations. The Continuity Agreements of Messrs. Demkey and Shepherd define a change of control in the same manner, with two (2) differences. For historical reasons arising from when Bell Canada was a significant shareholder, these Continuity Agreements provide that a change of control does not include the acquisition of 20% or more of the Common Shares by Bell Canada or any of its affiliates, but a change of control will have occurred if Bell Canada and/or its affiliates acquire 35% or more of the Common Shares. Note that in respect of the 20% threshold note above, given the Company's articles, shareholder approval is required prior to any such "change of control" occurring, and it was for this reason that the 20% threshold was set for the purposes of determining whether a "change of control" actually occurred. (ie. it is an event requiring shareholders to approve ammendments to the Company's articles.)

SURRENDER AGREEMENTS

The Company has entered into a contract (the "Surrender Agreement") with each NEO which provides that in the event of a change of control of the Company, all unvested options, PSUs and RSUs (collectively, the "Equity-based Awards") immediately will vest, and the NEO will have the option, (a) in the case of stock options, to surrender each such option to the Company at a price equal to the difference between the surrender price and the exercise price, and (b) in the case of RSUs and PSUs, to surrender such units at a price equal to the surrender price. The surrender price is the market price of the Common Shares (which is defined as the weighted average of the trading prices of the Common Shares on the five (5) consecutive trading days prior to the date of a surrender notice submitted by the NEO) or, in the case of a change of control resulting from an offer to shareholders of the Company to purchase their Common Shares, the higher of (i) the market price of the Common Shares, and (ii) the price per Common Share offered to shareholders pursuant to such offer.

The Surrender Agreements define "change of control" in the same manner as this term is defined in the Continuity Agreements of the NEOs as described above.

ESTIMATED PAYMENTS ON TERMINATION

The following table outlines, for each NEO, the estimated incremental payments that would be triggered in the event the employment of an NEO is terminated without cause, including termination resulting from a change of control of the Company, which assumes that the termination occurred on January 1, 2014. No severance or other incremental payments apply in the event an NEO retires or resigns, subject to a limited rights of some participants to receive a pro rata portion of their RSUs and PSUs upon a qualified retirement (which, for the CEO, will be deemed to have already occurred as Mr. Blouin is entitled to an unreduced pension at this time).

NEO	Type Of Termination	Salary ($)	Incentive Payment[1] ($)	Employee Benefits ($)	Vesting Of Option-Based Awards ($)	Vesting Of Share-Based Awards ($)	Total ($)
Pierre J. Blouin	Termination Without Cause	1,700,000	1,549,690	222,672	Nil	2,176,403	5,648,765
	Change Of Control	2,550,000	2,324,535	309,008	Nil	2,452,081	7,635,624
Wayne S. Demkey	Termination Without Cause	696,750	399,951	68,343	Nil	Nil	1,165,044
	Change Of Control	929,000	533,268	92,824	Nil	1,588,807	3,143,899
Kelvin A. Shepherd	Termination Without Cause	755,550	455,607	74,193	Nil	Nil	1,285,350
	Change Of Control	1,007,400	607,476	99,024	Nil	2,075,200	3,789,100
Dean L. Prevost	Termination Without Cause	731,700	347,603	89,271	Nil	Nil	1,168,574
	Change Of Control	975,600	463,471	120,128	Nil	1,977,384	3,536,583
Paul A. Beauregard	Termination Without Cause	562,500	236,411	49,743	Nil	Nil	848,654
	Change Of Control	750,000	315,215	69,024	Nil	811,309	1,945,548

(1) These numbers assume the 2013 bonus has already been paid.

RETENTION ARRANGEMENTS RELATED TO STRATEGIC REVIEW

In September 2012, the Board announced a Strategic Review in respect of the Allstream division that continued for over a year. In connection with this process, the HRCC and Board (working with external compensation consultants and independent counsel) agreed to certain retention arrangements that offered similar protections as those available under the Continuity Agreements and Surrender Agreements, being mindful to ensure that the structure required the NEO had an obligation to act reasonably to reach a mutually satisfactory revised arrangement (i.e., that there was a strong "double trigger").

These arrangements that were in effect in 2013 (described in significant detail in the Company's 2013 Management Proxy Circular) have since expired.

ADDITIONAL DISCLOSURE & INFORMATION

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No Director or officer of the Company or proposed nominee for election as a Director is or has been indebted to the Company or its subsidiaries.

MATERIAL TRANSACTIONS & MATTERS TO BE ACTED UPON

None of the Directors or officers of the Company, proposed nominees for election as a Director, insiders of the Company, or associates and affiliates of such persons have had any material interest, direct or indirect, in any transaction in the last fiscal year or in any proposed transaction, which has materially affected or will materially affect the Company or any affiliate of the Company.

No Director or officer of the Company, proposed nominee for election as a Director, past Directors or executive officers of the Company, no insiders of the Company, or associates and affiliates have had any substantial interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon at the Meeting other than the election of the Directors.

ADDITIONAL INFORMATION

Financial information relating to the Company is provided in the Company's comparative financial statements and management's discussion and analysis for the financial year ended December 31, 2013. These documents, as well as additional information relating to the Company, are available on SEDAR at www.sedar.com.

A copy of the Company's most recent comparative financial statements and management's discussion and analysis, as contained in the Company's Annual Report, as well as the most recent interim financial statements, Annual Information Form and Circular may be obtained by shareholders, without charge, upon request:

Manitoba Telecom Services Inc.
PO Box 6666
Room MP20B – 333 Main Street
Winnipeg, Manitoba R3C 3V6
Telephone No.: (204) 958-3549 or 1-888-544-5554 (toll-free)
E-mail: investor.relations@mtsallstream.com

BOARD APPROVAL

The contents and the sending of this Circular have been approved by the Board of Directors of the Company.

Paul A. Beauregard
Chief Corporate and Strategy Officer & Corporate Secretary

March 24, 2014
Winnipeg, Manitoba

SCHEDULE A

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Our Board and management believe that sound corporate governance practices are an important component of ensuring the Company is managing effectively in order to achieve our goals and objectives. The Board's corporate governance policies and practices are consistent with National Policy 58-201 **Corporate Governance Principles** and National Instrument 58-101 **Disclosure of Corporate Governance Practices**, as adopted by the Canadian securities regulatory authorities, which require each reporting issuer to disclose its corporate governance practices in its Proxy Circular.

Our governance principles reflect our core values of professionalism, integrity, real value to customers, continued financial strength, and being an employer of choice. These principles include independence, accountability, clarity of roles, effectiveness of strategy, prudence in risk management, leadership, ethical culture, and integrity of financial disclosure.

BOARD OF DIRECTORS

Detailed information relating to each of the Director nominees is set out under the **Nominees for Election to the Board of Directors** section of this Proxy Circular, including their attendance record for all Board and Committee meetings during the 2013 fiscal year, and other public company Boards on which they serve.

DIRECTOR INDEPENDENCE

The Board Charter provides that the Chair must be independent and a majority of the Directors must be independent. A majority of the Directors must also be resident of the province of Manitoba.

Based on information provided by Directors as to their individual circumstances, the Board has determined that all of the Directors are independent as defined by the Canadian regulatory authorities with the exception of the Chief Executive Officer, Mr. Blouin, who is mandated to be a member of the Board pursuant to the Board Charter. Of the other Directors, none of them have a material relationship with the Company which would call into question their independence. At 90% independence, the Board is highly independent of management.

Board meetings take place a minimum of once per quarter and are conducted without the presence of management (other than the Chief Executive Officer, who is a director), unless invited to provide additional insight to matters being considered by the Board. Each meeting of the Board and the Committees includes an in-camera session at which neither the Chief Executive Officer nor other management is present. Mr. Blouin is not a member of any of the Committees established by the Board.

BOARD COMPOSITION

CHAIR OF THE BOARD

The position of Chair of the Board is separate from the position of Chief Executive Officer. These positions have been separate since the Company went public in 1997 and we believe it is an important aspect which contributes to the Board functioning independently of management. The Chair's main role is to facilitate the functioning of the Board independently of management and to maintain and enhance the quality of our corporate governance through procedures and process. The key responsibilities are set out in the Charter of the Chair of the Board which is available on our website at www.mtsallstream.com. The Board has decided that the Chair must be independent and is appointed by the independent Directors of the Board annually. The Chair presides over each meeting of the Board, chairs the annual meeting of shareholders, and is an ex-officio member of all Committees of the Board.

BOARD SIZE

The Company's Articles provide for a minimum of 9 and a maximum of 15 Directors. As described in the **Nominee for Election to the Board of Directors** section of this Circular, the Board was comprised of 10 Directors in 2013. The Board is of the view that this number of Directors is appropriate, and provides for sufficient depth and diversity of experience to provide for effective decision-making.

BOARD MANDATE

The Board, either directly or through Committees of the Board, is responsible for the stewardship of the Company and overseeing the management of the business and affairs of the Company with the objective of enhancing shareholder value. Our employees, managers and officers execute the Company's strategy under the direction of the CEO and the oversight of the Board. Shareholders elect the Board to monitor and provide guidance to management and to assure that the long-term interests of shareholders are continually advanced in a balanced and responsible manner. The Board's responsibilities are set out in its Charter, and include the following key items:

- Selection, evaluation, compensation and succession for key management roles.
- Review and approval of the Company's strategy goals, financial objectives and major policy decisions.
- Monitoring performance, risks, business conduct and ethics and internal controls.
- Effective Board governance.
- Timely disclosure of information to shareholders.

The Board's Charter is incorporated by reference into this Circular (Appendix 1) and can be found in the "Governance" section of our website.

The Board also acts in accordance with **The Corporations Act** (Manitoba) and other applicable laws; the Company's Articles and by-laws; the Company's **Guide for Business Conduct & Ethics** (the "Ethics Guide") found in the "Governance" section of our website, which outlines essential rules and guidelines pertaining to ethical business conduct; the Company's **Statement of Corporate Governance System** (the "Governance Manual"), found in the "Governance" section of our website, which outlines the corporate governance principles and practices and refers to the documents which together form the corporation governance system of the Board; the formal written Charters of the Audit Committee, the GNC and the HRCC, which set out the roles and responsibilities of these Committees, all found in the "Governance" section of our website; and other applicable policies of the Company.

POSITION DESCRIPTIONS

The mandate of the Governance & Nominating Committee is to assist the Board in relation to the governance of the Company. The Governance & Nominating Committee has developed a Governance Manual which outlines the responsibilities of the Board and individual Directors, including their duties as prescribed by **The Corporations Act** (Manitoba). The Governance Manual contains a position description for the Chair, which sets out the responsibilities of the Chair for managing the processes of the Board, and ensuring that the Board discharges its duties under the Board Mandate. The Governance Manual also includes a position description for the Chairs of the Committees of the Board. This position description defines the duties and responsibilities of the Chair for managing the processes of the Committee, and ensuring the performance of the Committee's mandate as set out in its Charter.

The Governance Manual includes a position description for the Chief Executive Officer. This position description, which is reviewed on an annual basis, provides that the Chief Executive Officer is accountable to the Board for the management of the strategic and operational agenda of the Company to ensure both the short-term and long-term profitability and growth of the Company in a manner that increases shareholder value, and for the execution of the Board's directives and policies. This position description also sets out the principal duties of the Chief Executive Officer, which include developing and recommending to the Board a long-term strategy and vision for the Company; developing and monitoring the Company's strategic direction; directing the business operations of the Company; establishing and recommending to the Board an organizational structure, including an active succession plan; ensuring that the Board is kept appropriately informed about the Company's overall business operations and issues; ensuring the appropriate oversight and assessment of the Company's disclosure controls and procedures; developing and recommending to the Board an annual business plan and operating capital budgets; fostering a corporate culture that promotes ethical practices, encourages individual integrity, and fulfills social responsibility; ensuring that the day-to-day business and affairs of the Company are appropriately managed; and formulating and overseeing the implementation of major corporate policies.

ORIENTATION AND CONTINUING EDUCATION

Information concerning the orientation of its new Directors and continuing education of all Directors is located under the **Continuing Education and Development of Directors** section of the Circular.

ETHICAL BUSINESS CONDUCT

The Board has adopted the Ethics Guide (http://www.mts.ca/file_source/mts.ca/Static_Files/Raw_PDF/GuideforBusConductEthics-English.pdf) which outlines the essential rules and guidelines for honest and ethical business conduct. Pursuant to the terms of its Charter, the Governance & Nominating Committee is responsible for reviewing annually and monitoring the Ethics Guide.

The Ethics Guide, which applies to all Directors, officers and employees of the Company and its subsidiaries, addresses various matters, including conflicts of interest; the protection and proper use of corporate assets and opportunities; confidentiality of corporate information; fair dealings with security holders, customers, suppliers, competitors and employees; compliance with laws, rules and regulations; and fraudulent activities and the reporting of any illegal or unethical behaviour. Each year, officers and employees must acknowledge that they have read, understood and complied with the Ethics Guide.

The Ethics Guide provides that employees can contact various individuals within the organization or the Chair of the Audit Committee to report, in confidence, any possible misconduct. Under the terms of its Charter, the Audit Committee is responsible for addressing complaints regarding accounting, internal auditing controls or auditing matters, and for the receipt of confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.

In addition, the Company has set up a hotline and website for use by shareholders, employees, vendors, customers, and any third party to report any questionable business conduct. The hotline and website is designed to create a non-threatening environment in which to report potential violations regarding ethics and compliance issues. It is hosted by a third party who provides the Company with the information reported on a totally confidential and anonymous basis. It guarantees that anonymous comments such as conflicts of interest, discrimination or harassment, workplace health and safety, or environmental protection will be heard by the Company and remain confidential.

The Board also has adopted conflict of interest guidelines **(http://www.mts.ca/file_source/mts.ca/Static_Files/Raw_PDF/ConflictofInterestGuidelines-English.pdf)** that are applicable to the Company's Directors and officers. These guidelines establish standards of conduct relating to the identification, disclosure and avoidance of actual and potential conflicts of interest in order to ensure that Directors and officers maintain high standards of honesty, integrity, impartiality and ethical conduct in the exercise of their powers and the discharge of their duties.

NOMINATION OF DIRECTORS

The Governance & Nominating Committee, which is comprised entirely of independent Directors, is responsible for identifying and recommending suitable Director nominees to the Board. Further information concerning the nomination and selection of Directors is set out in the **Director Selection** section of this Circular. Additional information concerning the duties and responsibilities of the GNC is set out in the **Corporate Governance** section of this Circular.

DIRECTOR SELECTION PROCESS

In August 2010, the GNC adopted an 8-step **Future Director Selection Process** to establish continuity in this process. The process is as follows:

1. **DETERMINE BOARD REQUIREMENTS**
   Complete review of the ideal skills and abilities the Board would want for its Directors. Primary emphasis should be given to the Directors' good faith determination of the Board's requirements. Reference may be made to third party "benchmark" criteria sited as being conducive to good corporate governance.

2. **PERFORM GAP ANALYSIS**
   Review the current skills and experiences of existing / continuing Directors. Compare the same against the Board Requirements determined in Step #1.

3. **SOLICITATION OF RECOMMENDATIONS**
   With a view towards addressing the Gap Analysis in Step #2, solicit Recommendations from existing Directors, industry and corporate contacts and senior executives. All recommendations must meet the Mandatory Criteria.

   Gather resumes / profiles for all Recommendations.

4. **CREATE SHORT LIST**
   The Chair of the Committee, together with the Chair of the Board, review all Recommendations and create list of candidates, then reduce the same to a Short List of candidates.

5. **INTERVIEWS OF SHORT LIST**
   The Chair of the Committee, together with the Chair of the Board conduct interviews with all members of the Short List. The Chair of the Committee may request that additional directors participate in interviews. The Chair will solicit the input of the CEO during this process.

6. **CREATE FINAL LIST**
   Review Short List with reference to the results of the interviews. Eliminate any candidates that would not favorably complement the existing Board, thereby creating the "Final List".

   If the Final List is not acceptable to both the Chair of the Committee and the Chair of the Board, engage a third party search firm to commence a new process. Otherwise continue to Step #7.

7. **COMMITTEE MAKES RECOMMENDATION**
   Presentation to the Committee of the Final List. Committee to make a recommendation to Board.

8. **APPROVAL BY BOARD**
   Board to consider and, if considered appropriate, approve the recommendation from the Committee arising under Step #7.

CHAIR SELECTION CRITERIA

In February 2009, and as disclosed as a part of the 2009 Proxy Circular, the Board adopted the following criteria which should be considered in selecting the Director who is appointed as the Chair of the Board:

- The Director ideally should have been a member of the Board for one or more years.

- The Director must be able to devote sufficient time to the position of Chair in order to discharge the duties and responsibilities of this position effectively.

- The Director must be of an age that will enable the Director to serve as Chair for a minimum period of five years before the Director attains the age of 72.

- The Director must be able to manage the processes of the Board effectively and to engage the other Directors in an open manner that conveys and demonstrates that all Directors are equal.

- The Director must have a mutually respectful and trustworthy relationship with the Chief Executive Officer of the Company.

- The Director must have experience as a Chief Executive Officer, Chair of a Board or a Board Committee, or as a Director of a company that is comparable in size and complexity to the Company.

This process was used in December, 2009, with the pending retirement of Thomas E. Stefanson as Chair, when the Board elected David G. Leith to serve as its Chair.

DIRECTOR EXPECTATIONS

As approved by the Board of Directors in December 2010, the following sets out expectations and responsibilities of each Director.

GENERAL DUTIES AND RESPONSIBILITIES

1. Directors must abide by the general duties and responsibilities of individual directors set out in common law and in **The Corporations Act** (Manitoba) ("MCA"), as well as the Company's by-laws.

2. The relationship of the director to the Company is a fiduciary one. As fiduciaries, the directors are bound by all the rules of fairness, morality and honesty that the law imposes. From this fiduciary role comes the stewardship responsibility to act in the best interests of shareholders and other stake-holders.

3. Directors must individually, in connection with the powers and duties of their office, exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

DUTIES OF INDIVIDUAL DIRECTORS

4. The duties of a director as established by the MCA may be summarized as follows:

   a. **Duty of Honesty**: In his or her dealings with fellow directors, a director must tell the whole truth and act in good faith. Secret profits are forbidden to directors.

   b. **Duty of Loyalty:** A director is required to give individual loyalty to the Corporation. Each director must exercise his or her powers honestly and for the benefit of the Corporation as a whole.

   c. **Duty of Care:** A director is required to exercise care and prudence. The duty of care requires prudence based on common sense.

   d. **Duty of Diligence:** A director must make those inquiries which a person of ordinary care in his or her position or in managing his or her own affairs would make.

   e. **Duty of Skill:** Originally in common law a director was required to exercise no greater degree of skill than could be reasonably expected from a person with his or her knowledge and experience.

   f. **Duty of Prudence:** A director is required to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Further detail regarding such duties can be found in "Guidelines for Corporate Directors in Canada" published by the Institute of Corporate Directors.

INDIVIDUAL DIRECTOR RESPONSIBILITIES

5. The responsibilities set out below are meant to serve as a framework to guide individual Directors in their participation on the Board, with a view to enabling the Board to carry out its mandate, duties and responsibilities. These responsibilities include:

   a. Assuming a stewardship role, and overseeing the management of the business and affairs of the Company.

   b. Maintaining a clear understanding of the Company, including its strategic and financial plans and objectives, emerging trends and issues, significant initiatives and capital allocations and expenditures, management risks, internal systems, processes and controls, program for compliance with applicable regulations, and governance, audit and accounting principles and practices.

   c. Preparing for each Board and Committee meeting by reviewing materials and requesting, where appropriate, information that will allow the Director to properly participate in the Board's deliberations, make informed business judgments, and exercise oversight.

d. Absent a compelling reason, attending all Board and Committee meetings, actively participating in deliberations and decisions. When attendance is not possible, a Director should nevertheless become familiar with the matters to be covered at such meeting.

e. Voting on all decisions of the Board or its Committees, except when a conflict of interest exists or may exist.

f. Preventing personal interests from conflicting with, or appearing to conflict with the interests of the Corporation and disclosing details of such conflicting interests as they arise.

g. Acting in the highest ethical manner and with integrity in all matters.

h. Maintaining an appropriate level of equity in the Company to ensure personal alignment with its long-term interests.

DIRECTOR RISK MANAGEMENT GUIDELINES

6. Directors should:

a. Attend Board meetings faithfully, being absent only for compelling reasons.

b. Ask questions of management.

c. Record in writing any dissenting opinion.

d. Ensure that the Company's affairs are conducted according to its constating documents.

e. Keep abreast of the activities of the Company and be well-versed in the industry.

f. Be aware of the various statutes and the provisions pertaining to corporate offences.

g. Refrain from voting on questions where their independence could be called into question.

h. Review resolutions passed and actions taken in their absence.

i. Retain the right to seek advice from outside experts where warranted.

j. Ensure that there is follow-up on resolutions passed by the Board.

k. Obtain assurance of timely payment of employee wages, source deductions, income tax installments, GST, PST.

l. Ensure that the Company is in compliance with all environmental legislation, has an up-to-date environmental policy, and that management makes regular reports to the Board.

PROCEDURE FOR HIRING OUTSIDE COUNSEL OR CONSULTANTS

7. The following procedure is to be used by a Director of the Company who feels that he or she needs to hire, at the Company's cost, an outside lawyer or an outside consultant to provide guidance on a corporate issue and the Director's responsibilities and/or liabilities in that regard:

   a. The Director shall approach the Chair of the Board with the request for an outside lawyer or an outside consultant.

   b. The Chair of the Board will evaluate the request and advise the Director within a reasonable period of time.

   c. If the Director is unhappy with the ruling provided, s/he can direct the request to the Governance & Nominating Committee for consideration, whose decision shall be final.

COMPENSATION

The HRCC, which is comprised entirely of independent Directors, is responsible for making recommendations to the Board concerning the compensation of executive officers, and for reviewing and making annual recommendations to the Board on the goals and objectives of executive officers.

The HRCC is responsible for reviewing and making recommendations to the Board regarding appropriate systems of compensation for other senior executives, including salaries, pensions, perquisites, benefits and short-term and long-term incentives, which recognize and reflect responsibilities, risks, individual and corporate performance, and comparative industry standards, and which will facilitate and enhance the achievement of corporate objectives. Information on the compensation of executive officers is described in the **Executive Compensation, Total Compensation of NEOs, Determining Annual Individual Awards and Annual Compensation, Summary Compensation Table, Pay for Performance, Incentive Plan Awards and Pension Plan Benefits** sections of the Circular.

The Board, with the assistance of the Governance & Nominating Committee and independent external advisors, reviews and benchmarks the compensation paid to Directors on an annual basis and makes recommendations to the Board regarding changes as may be required to ensure that this compensation meets the objective of properly aligning the interests of Directors with the long-term interests of the Company. In 2006, the Board, on the recommendation of the Committee and with the assistance of an external consultant, approved a new flat fee compensation arrangement for Directors which came into effect January 1, 2007. To align the interests of Directors with the interests of shareholders, a certain minimum amount of a Director's annual retainer must be paid in deferred compensation units pursuant to the Company's Directors Share Appreciation Plan as described in the **Directors' Share Appreciation Plan** section of the Circular, which contains other information on the compensation of Directors.

The HRCC has the authority to retain consulting firms to assist it in carrying out its responsibilities. Additional information concerning the duties and responsibilities of the HRCC is set out in the **Corporate Governance** section of this Circular.

BOARD COMMITTEES

As is appropriate for our business and size, the Board currently has three committees, consisting of the Audit Committee, the Governance & Nominating Committee, and the HRCC. The roles and responsibilities of each of these Committees are set out in the **Corporate Governance** section of this Circular. Special committees are often set up on an ad hoc basis to address unique issues the Board faces from time to time. All committees report to the Board of Directors and there are no standing delegations of the Board of Directors' decision-making authority to committees.

ASSESSMENTS

In accordance with its Charter, the Governance & Nominating Committee is responsible for making recommendations to the Board concerning the establishment of criteria, mechanisms and processes for assessing the contributions of Directors on an ongoing basis, the effectiveness of the Board as a whole, and the effectiveness of the Committees established by the Board. More details with respect to this process are set out in the section entitled **Evaluation of Board and Committee Performance** section of this Proxy Circular.

These reviews are conducted along with the Chair. The Company's Governance Manual requires that as part of the annual process for nominating a Director, the Governance & Nominating Committee must review contributions made by an individual Director in terms of meeting attendance, preparedness, participation, value-added contribution and other responsibilities. These assessments are made through various means as determined by the Governance & Nominating Committee, including the following factors that are relevant at the times of such assessments:

- Evaluation meetings between the Chair and each Director are held to discuss the performance of the Board.
- Every two (2) years, each Director completes a written survey in which the Director self-assesses his or her performance and the effectiveness of the Board, with a focus on areas for improvement. More recently, these surveys have been conducted on an annual basis.
- The Board is assessed against the Board Mandate, and the Committees are assessed against their Charters.
- The results of these assessments are presented to the Governance & Nominating Committee and the Board, and the Governance & Nominating Committee identifies and makes recommendations for improvements.
- The Governance & Nominating Committee evaluates the performance of the Chair.
- In-camera meetings of the independent Directors are held to review the results of the assessments and to approve the recommendations made by the Governance & Nominating Committee.
- The overall size and operation of the Board and its Committees are reviewed to ensure that the Board and the Committees are able to operate effectively.

APPENDIX 1

BOARD MANDATE

1. The Board acknowledges responsibility for the stewardship of Manitoba Telecom Services Inc. (the "Corporation"), including:

   (a) To the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer ("CEO") and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization.

   (b) Adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business.

   (c) Ensuring appropriate systems and processes to identify and manage the principal risks of the Corporation.

   (d) Succession planning (including monitoring and developing senior management).

   (e) Adopting a communication policy regarding the distribution of financial and other material information to the Corporation's stakeholders.

   (f) Monitoring internal control and management information systems.

   (g) Developing an approach to corporate governance, substantially in alignment with regulations applicable to the Corporation, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Corporation.

2. The Board recognizes its responsibilities to shareholders and the importance of communications with shareholders. To facilitate appropriate communications, the Board has adopted appropriate measures and processes, including: a department of Investor Relations which *inter alia* receives and responds to, in a timely manner, comments from its shareholders, as appropriate and to the extent lawfully permitted; the adoption of a policy formalizing the Corporation's approach to disclosure and instilling appropriate disclosure controls; prior approval of the Board as to news releases which contain earnings guidance and financial information based on the Corporation's financial statements prior to release of such financial statements, financial and other information to shareholders; prior approval of the Board regarding responses to proposals from shareholders; and extensive consideration by the Board in the selection of candidates nominated for election as Directors at meetings of shareholders.

3. The Directors of the Corporation are expected to fulfill the obligations of Directors generally as set out in **The Corporations Act** (Manitoba) including the duty of honesty, the duty of loyalty, the duty of care, the duty of diligence, the duty of skill and the duty of prudence. The definitions of these duties are made available to all Directors of the Corporation. In addition, the responsibilities set out below serve as a framework to guide the Directors in their participation on the Board. All of these duties, responsibilities, guidelines and other relevant requirements are described in the Board's document entitled "Individual Director Responsibilities".

APPENDIX 2

DESCRIPTION OF NON-IFRS MEASURES OF PERFORMANCE

EBITDA

We define EBITDA as earnings before interest, taxes, depreciation and amortization, and other income (expense). EBITDA should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with IFRS) as a measure of liquidity.

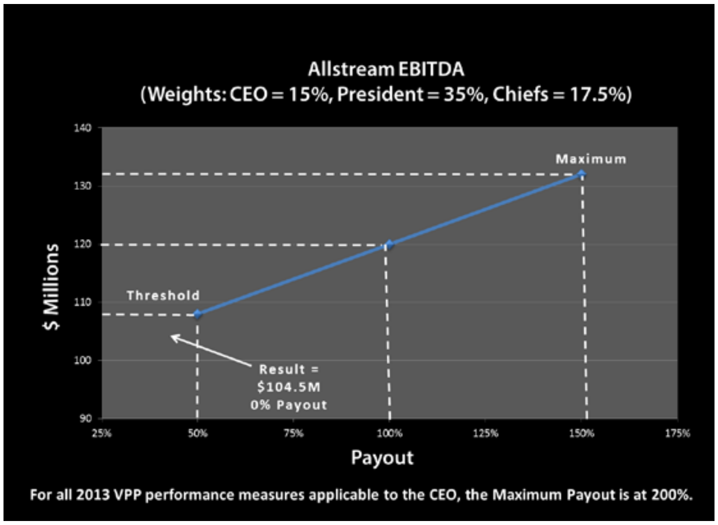
FREE CASH FLOW

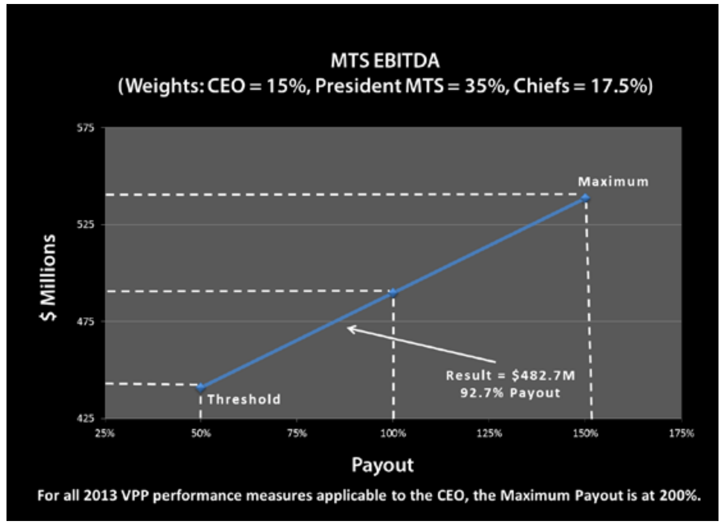
Free cash flow is a non-IFRS measure of performance. The Company defines free cash flow as "cash flows from operating activities, less capital expenditures and excluding changes in working capital". Free cash flow is the amount of discretionary cash flow that the Company has for purchasing additional assets beyond its annual capital expenditure program, paying dividends, buying back shares and/or retiring debt.

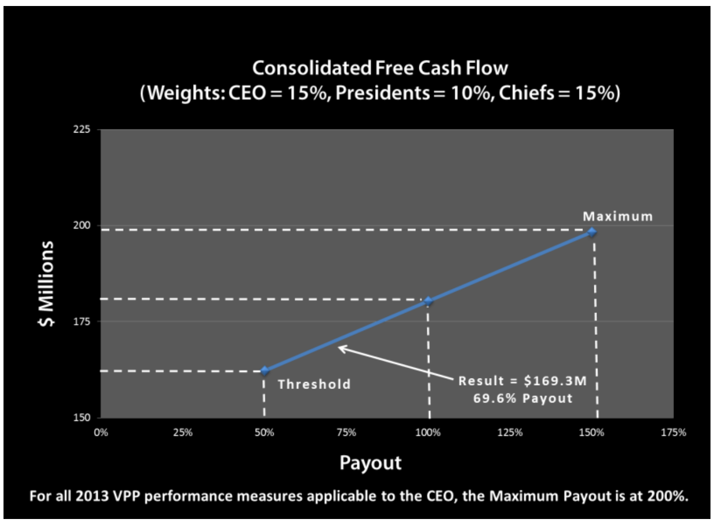
The term "free cash flow". These two (2) terms do not have any standardized meaning according to IFRS. It is therefore unlikely to be comparable to similar measures presented by other companies.

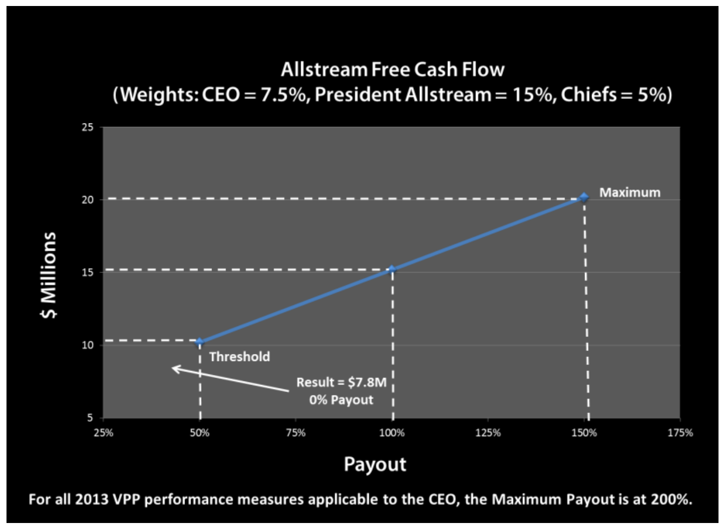
APPENDIX 3

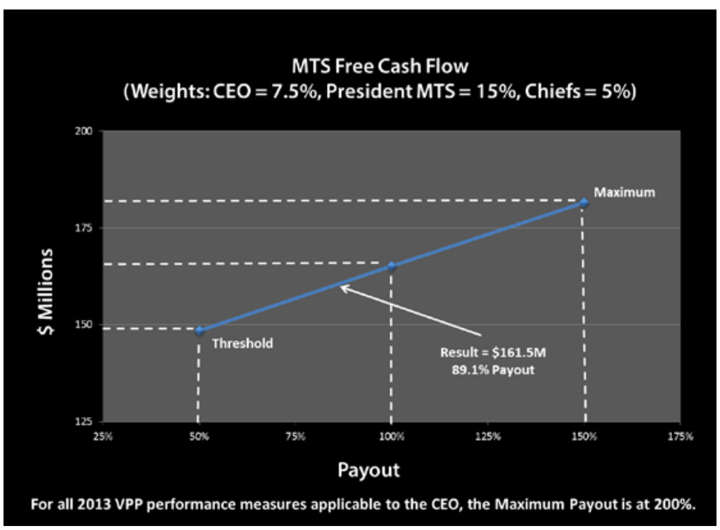
2013 PERFORMANCE MEASURES

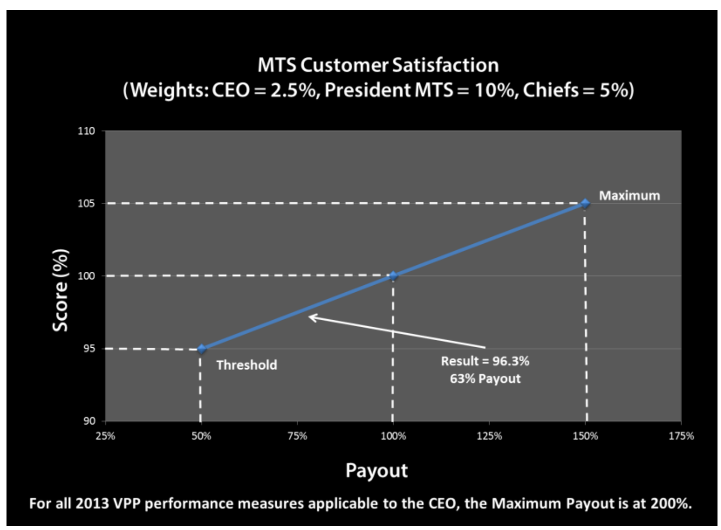


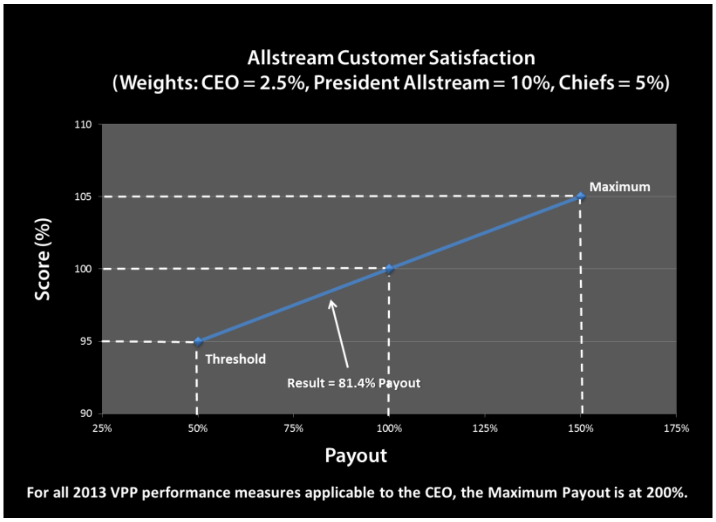


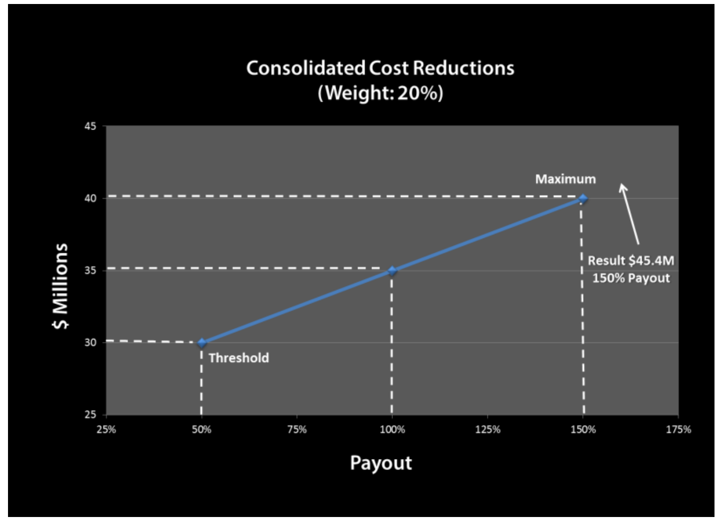


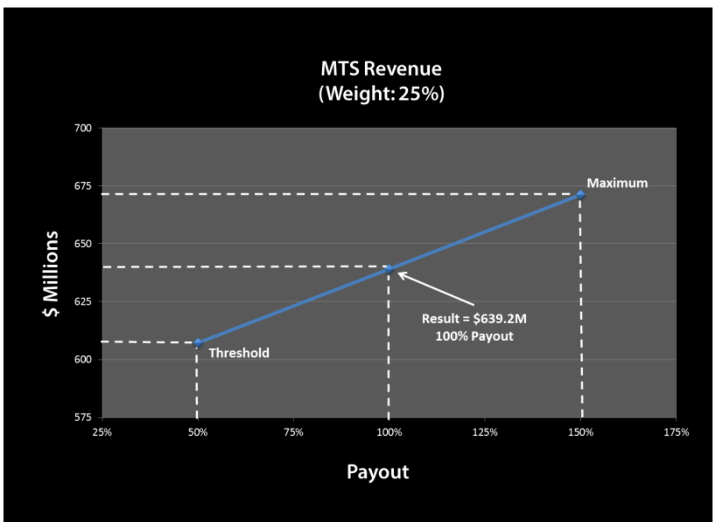


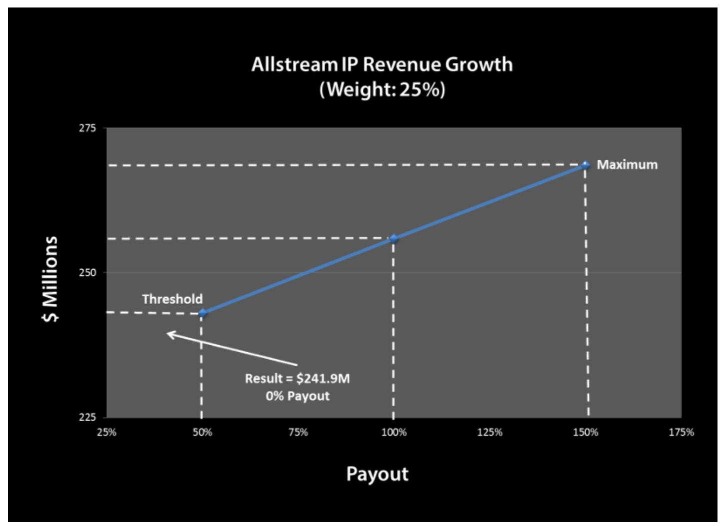


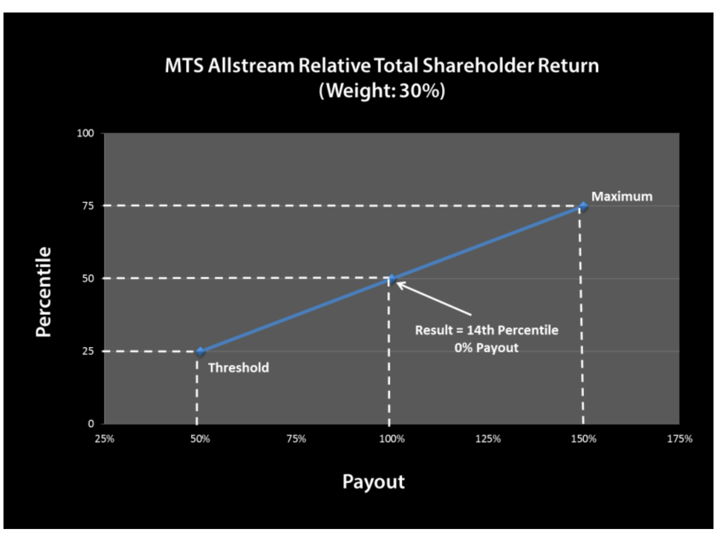



Allstream Customer Satisfaction
(Weights: CEO = 2.5%, President Allstream = 10%, Chiefs = 5%)
Score (%)
110
105
100
95
90
25%
50%
75%
100%
125%
150%
175%
Maximum
Threshold
Result = 81.4% Payout
Payout
For all 2013 VPP performance measures applicable to the CEO, the Maximum Payout is at 200%.


Consolidated Cost Reductions
(Weight: 20%)
$ Millions
45
40
35
30
25
25%
50%
75%
100%
125%
150%
175%
Maximum
Result $45.4M
150% Payout
Threshold
Payout


MTS Revenue
(Weight: 25%)
$ Millions
700
675
650
625
600
575
25%
50%
75%
100%
125%
150%
175%
Maximum
Result = $639.2M
100% Payout
Threshold
Payout


Allstream IP Revenue Growth
(Weight: 25%)
$ Millions
275
250
225
25%
50%
75%
100%
125%
150%
175%
Maximum
Threshold
Result = $241.9M
0% Payout
Payout


MTS Allstream Relative Total Shareholder Return
(Weight: 30%)
Percentile
100
75
50
25
0
25%
50%
75%
100%
125%
150%
175%
Maximum
Result = 14th Percentile
0% Payout
Threshold
Payout

APPENDIX 4

AUDITOR REPORTING PACKAGE

MTS

NOTICE OF CHANGE OF AUDITOR

March 21, 2014

To:	**Deloitte LLP**
And To:	**Ernst & Young LLP**
And To:	**The Manitoba Securities Commission** **Alberta Securities Commission** **Autorité des marchés financiers** **British Columbia Securities Commission** **Financial and Consumer Affairs Authority of Saskatchewan** **Financial and Consumer Services Commission (New Brunswick)** **Nova Scotia Securities Commission** **Office of the Superintendent of Securities (Prince Edward Island)** **Office of the Superintendent of Securities Service Newfoundland and Labrador** **Ontario Securities Commission**

Re: Notice of Change of Auditor ("Notice") – Manitoba Telecom Services Inc. (the "Corporation")

This Notice is made pursuant to Section 4.11 of National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**").

1. On December 23, 2013, it was determined, pursuant to a resolution of the board of directors (the "**Board**") of the Corporation, on the recommendation of the audit committee (the "**Audit Committee**"), to commence the process of changing the Corporation's auditor from Deloitte LLP to Ernst & Young LLP, effective as of the completion of the audit and the making of all filings required pursuant to applicable corporate and securities laws in connection with the Corporation's fiscal year ended December 31, 2013. The Corporation anticipates that upon conclusion of the year end audit and all related matters, Deloitte LLP will formally resign as auditor, and Ernst & Young LLP will be formally appointed to fill the resulting vacancy to hold office until the next annual meeting of shareholders of the Corporation, at which time Ernst & Young LLP will be proposed for appointment as auditor of the Corporation.

2. The determination was considered and approved by each of the Board and the Audit Committee, and constitutes a "termination" of Deloitte LLP and an "appointment" of Ernst & Young LLP for the purposes of NI 51-102.

3. The reports of Deloitte LLP on the financial statements of the Corporation for the two most recently completed fiscal years, being the years ended December 31, 2012 and 2013, did not express a modified opinion.

4. There have been no reportable events (as defined in Section 4.11 of NI 51-102).

MANITOBA TELECOM SERVICES INC.

By:

Name: Wayne S. Demkey

Title: Chief Financial Officer

Ernst & Young LLP
Chartered Accountants
Ernst & Young Tower
222 Bay Street, P.O. Box 251
Toronto, Ontario M5K 1J7

Tel: 416 864 1234
Fax: 416 864 1174
ey.com/ca

March 21, 2014

The Manitoba Securities Commission
Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission
Office of the Superintendent of Securities (Prince Edward Island)
Office of the Superintendent of Securities Newfoundland and Labrador
Ontario Securities Commission

Dear Sirs/Mesdames:

Re: Manitoba Telecom Services Inc.
Change of Auditor Notice dated March 21, 2014 (the "Notice")

Pursuant to National Instrument 51-102 (Part 4.11), we have read the above-noted Change of Auditor Notice and confirm our agreement with the information contained in the Notice, except that we have no basis to agree or disagree with item 4 included in the Notice.

Yours sincerely,

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

cc: The Board of Directors, **Manitoba Telecom Services Inc.**

Deloitte.

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-944-3621
Fax: 204-947-9390
www.deloitte.ca

March 24, 2014

The Manitoba Securities Commission
British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission – Securities Division
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities
Commission Registrar of Securities, Prince Edward Island
Newfoundland and Labrador, Department of Government Services
Consumer & Commercial Affairs Branch
Toronto Stock Exchange
Exchange Income Corporation

Dear Sirs/Mesdames:

Re: Notice of Change of Auditor

We have read the Notice of Change of Auditor prepared by Manitoba Telecom Services Inc. dated March 21, 2014 in accordance with National Instrument 51-102 – Continuous Disclosure Obligations and are in agreement with the statements contained in such Notice.

Yours very truly,

Deloitte LLP

Chartered Accountants

AWARDS & RECOGNITIONS

Corporate Knights
THE CANADIAN MAGAZINE FOR RESPONSIBLE BUSINESS
corporateknights.ca

AVAYA
BUSINESSPARTNER
Platinum

CATALYST CANADA

cisco
Gold Partner

SUNGARD®
Availability Services

NAV CANADA
Supplier Recognition Award of Excellence

boomeranG

PRIDE AT WORK CANADA
FIERTÉ AU TRAVAIL CANADA
PROUD PARTNER | FIÈRE PARTENAIRE

CASSIES

JSI
JANTZI SOCIAL INDEX

ENVIRONMENTALLY RESPONSIBLE

At MTS Allstream, we are committed to reducing our impact on the environment and helping our customers, employees and stakeholders do the same. As part of that commitment, instead of a paper copy of this Circular, most shareholders received a notification containing information on how to access the Circular electronically. Only 1,500 copies of this Circular were printed specifically for beneficial shareholders who have provided standing instructions to their intermediary, registered shareholders who opted for delivery of paper copies of the Circular via their Voting Instruction Form or Proxy last year, and any shareholder who subsequently requests a paper copy of the Circular following receipt of the notification. By utilizing this 'notice and access' method of delivery for investor materials, we save some 500 trees and 17 million litres of fresh water. For the few printed copies of this Circular, the papers selected are acid-free and elemental chlorine-free, and certified by the Forest Stewardship CouncilTM (FSC®), which means they come from well-managed forests and known sources, ensuring local communities benefit and sensitive areas are protected. In addition, the cover of this Circular contains 100% post-consumer fibre and is manufactured with 100% Certified Renewable Energy. This Circular has been printed with sustainable ink that is petroleum-free and comprised of soy and/or vegetable oils.

On the Jantzi Social Index, MTS Allstream has ranked among the top socially responsible and environmentally progressive companies in Canada for more than 13 years. We continue to engage our customers in the "green" potential of innovative communications solutions, such as cell phone recycling and e-billing options. We also offer virtual workplace communication solutions for our business customers to promote teleworking and alternative work arrangements. Corporate Knights ranked MTS Allstream among the top 10 of the "Future 40 Most Responsible Corporate Leaders in Canada" for 2013.

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