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Registrar of Securities, Prince Edward Island
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Response to Canadian Securities Administrators' (the "CSA") Notice and Request for Comments to Proposed Amendments to Multilateral Instrument 62-104, National Instrument 62-203 and National Policy 62-103 (the "Proposed Amendments")

Thank you for the opportunity to comment on the Proposed Amendments, and in particular, the aspects of the Proposed Amendments that relate to empty voting. As you know, TELUS Corporation has had direct experience with empty voting over the course of the past year. That experience is detailed in this response letter.

We are supportive of the CSA's proposals to provide greater transparency about significant holdings of issuer's securities, including the requirement to provide greater visibility into positions that may result in empty voting. We also support the CSA's proposal to make the AMR regime unavailable to persons who solicit proxies, as in our experience the current regime can be manipulated to delay disclosure. Notwithstanding these positive steps, however, we believe that the CSA must go further and work with

federal, provincial and territorial authorities to implement changes to corporate law that would prevent the use of empty voting where it could affect the outcome of a public company's shareholders' meeting.

TELUS is a leading national telecommunications company in Canada with $11 billion of annual revenue and 13.2 million customer connections including 7.7 million wireless subscribers, 3.4 million wireline network access lines, 1.4 million internet subscribers, and 712,000 TELUS TV customers. Led since 2000 by President and CEO, Darren Entwistle, TELUS provides a wide range of communications products and services including wireless, data, internet protocol (IP), voice, television, entertainment, and video.

The Importance of the Shareholder Vote

TELUS values the views of its shareholders. The TELUS shareholders are the beneficial owners of the shares that TELUS has issued. Those shares couple the right to vote at shareholder meetings with an economic interest in TELUS and therefore have a true interest in the results of the shareholder vote.

Empty voters are not shareholders. Through the use of financial instruments they acquire a right to vote without the economic alignment that characterizes the relationship between an issuer and its shareholders. However, as we experienced, an empty voter can have the ability to cast their votes contrary to the majority of the issuer's true shareholders and thereby determine the outcome of a shareholder vote. As such, empty voting erodes investor confidence in the manner in which shareholder decisions are made – that shareholders will vote in order to promote their economic interest in the issuer.

The TELUS Experience with Empty Voting

In February of last year TELUS announced a plan to move to a single class share structure. The plan sought to eliminate TELUS' non-voting shares through a 1:1 exchange for voting shares, subject to approval by shareholders of both classes.

The non-voting share class was created in 1999 following the merger of the incumbent telephone companies in British Columbia and Alberta. The non-voting share class allowed a longstanding US shareholder (GTE, which eventually became Verizon) to continue holding a majority interest in TELUS while complying with Canada's foreign ownership restrictions.

After Verizon sold its interest in TELUS, foreign ownership levels stayed relatively constant and well below the permissible limits. That stability, together with the benefits of a simpler share structure, caused shareholders to question the continued need for the non-voting share class. After lengthy deliberations and considering the recommendations of its legal and financial advisors, the Board decided early in 2012 to eliminate the non-voting class through a plan of arrangement. The decision was made in part to capture the enhanced liquidity and marketability associated with a dual-listed single class of voting shares. It also demonstrated best practices in corporate governance by granting the right to vote to the non-voting shareholders who held approximately 46% of TELUS' issued and outstanding shares.

Following the announcement, and upon seeing the narrowing of the price spread between the share classes, a hedge fund from New York, Mason Capital, devised an arbitrage plan to block TELUS' arrangement. Mason's objective was to defeat the plan of arrangement and profit significantly on the expected re-establishment of the historic price spread between the voting and non-voting shares.

It is important to note that prior to February 2012, Mason was not a TELUS shareholder. By the end of March 2012, however, Mason was simultaneously long more than 33 million shares and short almost 33 million shares. Its net holdings were less than one million shares or 0.2% of TELUS' issued and outstanding shares. Mason continued to decrease those net holdings during the course of our year-long battle. The result of Mason's arbitrage plan was that it exercised voting control over nearly 20% of TELUS' common shares while holding almost no economic interest in TELUS.

In May 2012, it became obvious that Mason's voting control of 20% of the common shares would enable it to defeat the plan of arrangement which required approval of two-thirds of the common shares voted at the meeting. Consequently, TELUS withdrew its proposal but announced that it remained committed to a single class share structure. By the end of August 2012, TELUS announced a revised plan of arrangement with a simple majority approval threshold of the common shares, which led to multiple legal proceedings, a second drawn out proxy battle, extensive media coverage, combined shareholder meetings and eventually a Court Order in February 2013 approving the arrangement.

The litigation proceedings that arose between TELUS and Mason included Mason's request for a shareholder meeting and Mason's opposition to the approval of the plan of arrangement after TELUS had successfully obtained shareholder approval notwithstanding Mason voting 20% of the outstanding common shares against the share collapse. In the shareholder meeting request, *TELUS v. Mason Capital Management LLC*, the Court of Appeal held that Mason's status did not allow the Court to disregard the validity of the meeting request whereas *In re TELUS Corporation*, the Supreme Court of British Columbia, ruled that Mason's status as an empty voter was relevant in assessing whether the arrangement resolved objections in a fair and balanced way pursuant to the test in *BCE Inc. v. 1976 Debentureholders*. While this provides some comfort that the courts will take into consideration a shareholder's status as an empty voter when applying a discretionary test, it is important to note that the court would have been unable to provide TELUS and its true shareholders any recourse had Mason or other empty voters been successful in blocking the transaction. In this respect, Mason's strategy would have prevailed but for TELUS' ability to redesign the transaction in a way that only required approval of a simple majority of common shares.

The two cases also illustrate the need for changes in corporate law. Where a statute anticipates discretionary decisions, a Court will take into account the status of a shareholder as an empty voter, but where a Court is asked to apply the law, it will rule in favour of legal certainty as it did in the case of Mason's meeting request and ignore the economic incentives behind voting rights. The Court of Appeal ultimately acknowledged the need for changes in law when it held: "To the extent that cases of "empty voting" are subverting the goals of shareholder democracy, the remedy must lie in legislative and regulatory change."

Legislative and Regulatory Steps Required

There are two factors to consider in addressing the issues related to empty voting. The first is the disclosure of the empty voting position. The accumulation of a voting position that could influence the outcome of a shareholder meeting must be transparent to an issuer and its shareholders so that they may govern themselves with knowledge of this position. Disclosure when an investor reduces its voting position is also important. For example, the fact that Mason had begun to unwind its position would have been relevant in the arguments before the courts of British Columbia to counter Mason's application to stay the final order of the plan of arrangement.

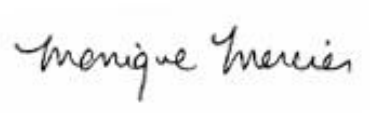
Mason was also able to use the technical requirements of the alternative monthly reporting ("AMR") regime to mask its activities. For example, Mason was able to use financial instruments to fabricate a higher position just prior to several month's ends, such that at that moment there was no change from its previously reported position (August 31, 2012), and then immediately thereafter unwind its position. As a result, the requirement for Mason to report a change in its position was not triggered for many months after it was believed Mason had significantly reduced its position. This practice runs counter to the goal of shareholders being properly and transparently informed of significant information when they are trading in the securities of a public company. The CSA proposal to trigger a loss of eligibility for the AMR regime where a shareholder has an intention to solicit proxies in relation to an arrangement would have denied Mason the ability to manipulate its holdings to avoid disclosure.

The second factor to consider in connection with empty voting is the ability of an empty voter to overpower the legitimate interests of an issuer's shareholders. The courts of British Columbia have considered the problem and found the remedy must lie in legislative and regulatory change.

We recognize that some of the change necessary is a matter of corporate law, rather than securities law or regulation. However, this is a public company issue and one that is important to the integrity, fairness and transparency of the capital markets. With respect, we do not believe that this issue should be lost in the legislative gap between securities regulation and corporate law. We ask that each member of the CSA raise with their corporate law counterparts and work together with them to develop a solution to this problem. We also ask that the CSA include federal authorities in this discussion as a great many of Canada's public companies (and the majority of Canada's largest public companies) are governed by the *Canada Business Corporations Act* (the "CBCA"). Accordingly, the corporate law components of the solution to the empty voting problem must also be reflected in amendments to the CBCA.

Thank you for the opportunity to respond to the Proposed Amendments. We would be happy to discuss this submission with you in greater details.

Best regards,



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