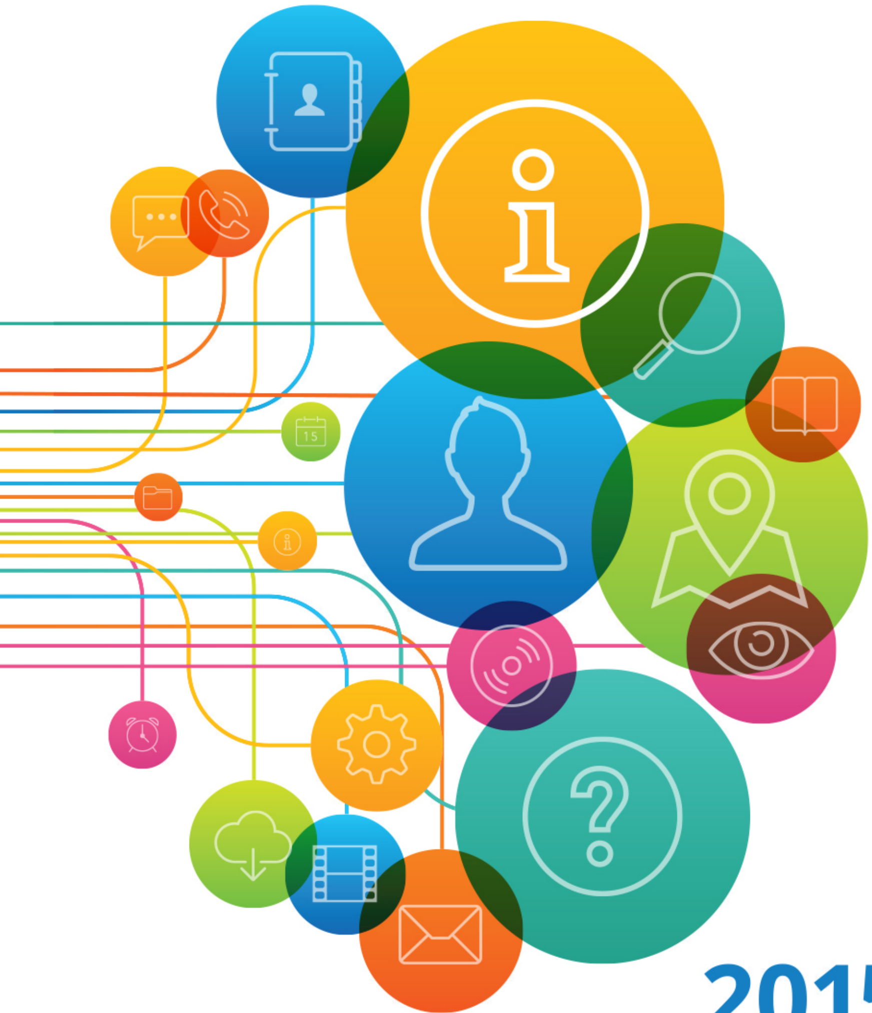

2015 Information Circular

It's the connection that counts

Manitoba Telecom Services Inc.

MTS allstream

OUR CORPORATE FAMILY TREE

Manitoba Telecom Services Inc.

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SUMMARY OF 2015 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

Thursday, May 7, 2015 at 10:00 a.m. C.T.
Main Floor – 333 Main Street, Winnipeg, MB

RECORD DATE

March 18, 2015

VOTING ELIGIBILITY

See page 3 for information regarding voting eligibility

RECOMMENDATION FROM BOARD	INFORMATION ON PAGE
FOR each Director Nominee	6
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. 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 actioned our prior "gap analysis" as we conducted a Director search process.

					Standing Committees		
Name	Director Since	Occupation	Expertise	Independent	Human Resources	Audit	Governance & Nominating
Jay A. Forbes	2015	CEO	Strategic Planning Telecommunications / Converged Technology Financial Expert				
N. Ashleigh Everett	1997	Executive Royal Canadian Securities Limited	Strategic Planning Human Resources / Compensation Consumer Facing	■	■		C
Barbara H. Fraser	2014	Corporate Director	Consumer Facing Consumer Marketing / Insights Strategic Planning	■	■		■
Judi A. Hand	2014	President & General Manager Revana Inc.	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	
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 Group Ltd.	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	■	C		■

Ex – Ex Officio Member of Committee
C – Committee Chair

SUMMARY OF 2015 CIRCULAR

AUDITOR

In 2013, 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. The Board recommends that you cast your vote **FOR** the reappointment of Ernst & Young LLP. 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 fourth year we are holding this vote. Last year, approximately 80% of our shareholders voted in support of our approach to executive compensation. We acknowledge the message delivered by this vote and agree that there was room for improvement. So we took steps to deliver stronger compensation arrangements for our shareholders. Following that vote, we worked with an independent compensation consultant and independent counsel to refresh the benchmarking for the Chief Executive Officer compensation and to ensure that our employment arrangement with our new Chief Executive Officer reflects good governance, as discussed below.

The Board recommends a **FOR** vote.

NEW CEO COMPENSATION

In November 2014, we announced the appointment of Jay A. Forbes as Chief Executive Officer, effective January 1, 2015. As part of the search process, we examined leading governance and compensation practices and were advised by an independent compensation consultant and independent counsel. We are confident that Mr. Forbes' compensation arrangements reflect such leading practices. The following are some key terms of these arrangements:

- Total target compensation of $3,000,000 (25% base salary, 25% short term incentives, 50% long term incentives (LTIP))
- For 2015, the LTIP grant will be divided between Restricted Share Units (40%) and Performance Share Units (60%), with no grant of stock options
- Participation in our Defined Contribution Pension Plan and Defined Contribution Supplemental Executive Retirement Plan, for a total of 15% of base salary
- Share ownership requirement of 400% of base salary to be achieved within 5 years, together with a requirement that Mr. Forbes invest 25% of the net after tax value of all LTIP to acquire Common Shares (with such shares to be held for 12 months following a termination of employment); and
- Clawback of bonus and LTIP for serious misconduct or gross negligence or material restatement of financial results (other than a change of accounting policy with retroactive effect).

The key terms of Mr. Forbes' employment agreement are described in the Circular under the heading **Employment Arrangements, Termination and Change of Control Benefits**.

CONTENTS

LETTER FROM THE BOARD OF DIRECTORS

Fellow Shareholders,

In 2014, we built upon the steps taken in the previous year to strengthen our governance process and ensure that we are providing active and expert oversight and direction. This year saw the implementation of our strong succession processes, which resulted in 2015 starting with a new Chief Executive Officer and a renewed Board, and recognition for our commitment to great corporate governance.

WELCOME JAY

Following the August 2014 announcement of Pierre J. Blouin's retirement as Chief Executive Officer, we implemented our Chief Executive Officer Succession Plan. A comprehensive international search was led by the CEO Succession Sub-Committee of the Governance and Nominating Committee and, in November 2014, the Board was pleased to announce the appointment of Jay A. Forbes as Chief Executive Officer effective January 1, 2015. Jay brings a unique set of telecom and technology industry experience to the Company and is an inspirational leader with strong strategic insights, a history of excellence and the proven ability to create value for the businesses he has operated. We look forward to the outcome of his review of the Company and our renewed efforts to drive value for our shareholders.

Throughout the search process, the CEO Succession Sub-Committee examined leading governance and compensation practices, and was advised by independent compensation advisors and independent legal counsel in order to ensure that the new Chief Executive Officer's employment arrangements reflected current best practices in areas of governance and compensation. We also listened to you, the shareholders, and I encourage you to review the changes that we have made to our Chief Executive Officer employment arrangements.

RENEWED BOARD

In 2014, Pierre J. Blouin retired as both CEO of the Company and a Director of the Board. We thank Mr. Blouin for his many contributions to the Company and wish him all the best in the future. Also in 2014 we saw our Director succession planning process in full force. In September Jocelyne M. Côté-O'Hara retired as a Director after over 17 years of service to the Board. In addition, and in accordance with our mandatory retirement policy, The Honourable Gary A. Filmon will retire as a Director at the annual general meeting in May. Mr. Filmon has been a Director since 2003 and currently is a member of the Human Resources & Compensation Committee, the Governance & Nominating Committee and was the Chair of the Director Search Sub-Committee.

In anticipation of these retirements, the Governance and Nominating Committee formed the Director Search Sub-Committee, which conducted a search for potential new Directors, based on the Company's existing analysis of needs and capabilities, including diversity considerations. The search resulted in the nomination and election of Judi A. Hand at the annual general meeting in May 2014 and the appointment of Barbara H. Fraser in September 2014. Ms. Hand has a wealth of experience in sales, service and marketing with telecom markets at all levels and Ms. Fraser has extensive board experience and strong experience in marketing and business strategy.

I am pleased to welcome Ms. Hand and Ms. Fraser to our Board and I extend my gratitude to Ms. Côté-O'Hara and Mr. Filmon for their dedicated service to our shareholders and the Company.

GREAT CORPORATE GOVERNANCE AND DIVERSITY

I am pleased to report that our commitment to high standards of corporate governance has been recognized within Canada and internationally. In 2014 we were the co-recipient of the "Best Overall Governance Award" by the Canadian Society of Corporate Secretaries at the Second Annual Excellence Awards and we were shortlisted by the U.S.-based Corporate Secretary magazine for the Corporate Governance Awards in the category of "Best Overall Corporate Governance – International". In addition, we were recognized by the Globe and Mail's Board Games as the top ranked telecommunications provider (8th overall).

Our rejuvenated Board currently has 10 Director nominees, four of whom are women. Consistent with our commitment to diversity at the Board level and throughout the Company, I am excited to announce that we are a founding member of the Canadian branch of the 30% Club. The 30% Club is a group of business leaders committed to achieving better gender balance at all levels of organizations, stemming from a belief that this will make businesses and boards more effective. Members of the 30% Club are taking voluntary steps towards the goal of 30% women on boards by 2015, which we have achieved, and believe strongly that business-led change is the right way forward.

Although we celebrate these successes, we continue to strive to deliver value to you, our shareholders. Our share price and recent performance have not reflected the full potential of MTS and Allstream, and Jay has the Board's full support in undertaking a top-to-bottom strategic assessment. We look forward to sharing this with you at our Annual Meeting of Shareholders.

Reflecting on a year that brought us our rejuvenated Board and new Chief Executive Officer, I look forward to an exciting 2015. I believe that Jay is key to the Company delivering on our commitments. By personally purchasing shares of the Company prior to joining, he has demonstrated his confidence in his ability to deliver value to you, our shareholders, and his commitment to the Company.

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

David G. Leith
Chair
March 18, 2015

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 7, 2015**

TIME: **10:00 A.M. (CENTRAL TIME)**

PLACE: **MAIN FLOOR**
333 MAIN STREET, WINNIPEG, MB

The Meeting will cover the following items:

1. Receiving consolidated financial statements of the Company for the financial year ended December 31, 2014 and the auditor's report;

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

3. Appointment of the auditor of the Company to serve until the next annual general meeting at remuneration to be determined by the Board of Directors;

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 18, 2015. 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 5, 2015.

BY ORDER OF THE BOARD OF DIRECTORS

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

Winnipeg, Manitoba
March 18, 2015

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 7, 2015 at 10:00 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 18, 2015, 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 holder of the Company's 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 "Notice and Access" rules. Apart from the benefits of leveraging our own telecommunications expertise and reducing printing and mailing costs, we will save some 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 of the information we are required by law to provide to 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 amounts 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 18, 2015 (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 Amalgamation ("**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 Common 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 18, 2015, 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 (BENEFICIAL) 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 (beneficial) shareholder** if an intermediary such as a securities broker or financial institution holds your Common Shares on your behalf. There are two types of beneficial shareholders: objecting beneficial owners ("OBOs") and non-objecting beneficial owners ("NOBOs"). Those who object to their identity being disclosed to us are OBOs. Those who do not object to their identity being disclosed to us NOBOs. We do not send proxy-related materials directly to NOBOs. Instead, we plan to have such materials distributed by intermediaries (your bank, trust company, broker, trustee or other financial institution). We are paying for intermediaries to send proxy-related materials to both NOBOs and OBOs.

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 to act on your behalf at the Meeting by notifying us. You have the right to either appoint the proxy holder provided by us or a proxy holder of your choice. You may notify us by Internet proxy or by returning the form of proxy provided to you. You can indicate 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 5, 2015 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, 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, including on any ballot that may be called for. 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 amended to comply with the new Toronto Stock Exchange ("TSX") requirements. Pursuant to such policy any Director must immediately tender his or her resignation to the Board Chair, to be effective when accepted by the Board, if he or she is elected in an uncontested election with a greater number of votes "withheld" from his or her election than votes "in favour" of such election. Within 90 days of the meeting where the election was held, upon the recommendation of the GNC, the Board will determine whether or not to accept the resignation. It is expected that the Board will accept the resignation absent exceptional or extenuating circumstances. A Director who tenders a resignation will not participate in any meeting of the Board, Committee, or any Sub-Committee of the Board at which the resignation is considered. We will promptly issue a news release announcing the Board's decision, including the reason for not accepting the resignation (if applicable). If a resignation is accepted, the Board may fill any resulting vacancy through the appointment of a new director, subject to our Articles and applicable laws.

The Governance & Nominating Committee (the "**GNC**") will recommend to the Board of Directors to accept the resignation unless exceptional circumstances warrant rejection of the resignation. In accordance with the new 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 GNC 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 18, 2015, there were 78,490,224 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.

BUSINESS OF THE MEETING

RECEIVING OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31st, 2014 and the corresponding auditor's report, including management's discussion and analysis, are included in the 2014 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 2014 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 Financial Reports 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: investor.relations@mtsallstream.com

ELECTION OF DIRECTORS

Our Articles and by-laws provide for a minimum of nine and a maximum of fifteen Directors. The Board of Directors has fixed the number of Directors at ten. 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 two of the nominees are currently Directors of the Company who were elected by the shareholders at the annual meeting of shareholders held on May 13, 2014. Jay A. Forbes was appointed to our Board on January 1, 2015 to fill the vacancy left upon the retirement of Pierre J. Blouin. Barbara H. Fraser was appointed to our Board on September 17, 2014 to fill the vacancy left by the retirement of Jocelyne M. Côté-O'Hara.

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

We are proposing that you cast your vote **FOR** the appointment of Ernst & Young LLP, Chartered Professional 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. Ernst & Young LLP has been the auditor of the Company since May 13, 2014.

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 on our website at www.mtsallstream.com, under the Investors tab, and under Policies found 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 and to Ernst & Young LLP for the past two fiscal years ended December 31, 2014 and 2013 are detailed in the following table.

(In Millions $)	2014	2013
Audit Fees	0.5	0.9
Audit Related Fees(1)	0.2	0.6
Tax Fees	0.1	0
All Other Fees(2)	0.1	0.2
TOTAL	0.9	1.7

(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 2013 and 2014 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 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 2015 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 know there is always remains room for improvement. After last year's "say on pay" advisory vote, in which approximately 80% of our shareholders voted in support of our approach to executive compensation, we took steps to structure compensation arrangements more in line with current best market practices. During 2014, we worked with an independent compensation consultant and independent counsel to refresh the benchmarking for the new CEO compensation and to ensure that our employment arrangement with our new CEO reflects best governance. The key terms of Mr. Forbes' employment agreement are described under the heading **Employment Arrangements, Termination and Change of Control Benefits**.

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.

BEST OVERALL GOVERNANCE (2014)

SHORTLISTED FOR
BEST OVERALL CORPORATE GOVERNANCE
INTERNATIONAL CATEGORY
(2014)

2014 BOARD GAMES
RANKED #1 TELECOM PROVIDER
& 8TH PLACE OVERALL

GAVEL AWARD FOR BEST DISCLOSURE OF GOVERNANCE PRACTICES & APPROACH TO EXECUTIVE COMPENSATION (2011)

AWARDS & RECOGNITIONS

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

HIGHLIGHTS OF THE 2014 BOARD OF DIRECTORS

- ☑ Led by the CEO Succession Sub-Committee of the Governance and Nominating Committee we implemented our Chief Executive Officer Succession Plan. A comprehensive international search was conducted by the Committee and in November the Board appointed Jay A. Forbes as CEO. Mr. Forbes brings a unique set of telecom and technology industry experience, is an inspirational leader with strong strategic insights, a history of excellence and the proven ability to create value for the businesses he has operated.

- ☑ Throughout the search process, the CEO Succession Sub-Committee examined leading governance and compensation practices, and was advised by independent compensation advisors and independent legal counsel in order to ensure that the new CEO's employment arrangements reflected current best practices in areas of governance and compensation. We also listened to you, the shareholders, and we encourage you to review the changes that we have made to our CEO employment arrangements.

- ☑ Last year, we increased the size of our Board by one Director in order to have continuity following the pending mandatory retirement of Mr. Filmon at our 2015 annual meeting of shareholders and will return to ten Directors following. Our Director Search Process was rigorous in following our "gap analysis" and we are pleased to again increase our Board diversity by adding another female director.

- ☑ In 2015 our Governance and Nominating Committee undertook a comprehensive internal review of our Director compensation practices, which resulted in a reduction in the supplemental retainer paid to the Chair of the Audit Committee and an increase in the supplemental retainer fee paid to the Chair of the Human Resources and Compensation Committee, to be more reflective of market practices and the expected time and effort required from these Chairs.

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

- ☑ We had a 100% attendance record at all Committee meetings and a 100% attendance record at 9 out of 10 Board meetings, in a year in which we once again held a very large number of Board and Committee meetings. This year there were a total of 51 different Board and Committee meetings.

- ☑ We are holding our fourth "**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 deferred compensation units ("DCUs") worth 4.12 times their annual retainer.

- ☑ We continue to 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 continued our commitment to using our own telecommunication technologies. The Board is predominately paperless, and uses electronic documents for its meetings. In 2015, 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.

JAY A. FORBES, CPA, FCA

WINNIPEG, MANITOBA, CANADA

DIRECTOR SINCE: January 1, 2015

AGE: 54

MANDATORY RETIREMENT: 2033

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

AREAS OF EXPERTISE:
Strategic Planning
Telecommunications / Converged Technology
Financial Expert

Jay A. Forbes is a proven business leader who has brought a fresh strategic perspective to a variety of industry settings to create immediate, lasting value for customers, employees and investors. Prior to joining MTS Allstream as its new Chief Executive Officer in January of this year, he was CEO of F3 Investments, a company he founded. From July 2009 until January 2013, he was President & CEO of information services provider Teranet. In addition he has served as President of Ingram Micro's European, Middle Eastern and African operations and President & CEO of a leading telecommunications company, Aliant. He has also served as Chief Financial Officer in publicly-traded telecommunications, real estate and energy companies. Mr. Forbes has extensive experience with public-company and not-for-profit boards. He has served on the Board of Directors of Aliant Inc. and Stratos Global Corporation. He has also held positions on numerous not-for-profit Boards including The Shaw Festival, the Conference Board of Canada, the Atlantic Provinces Economic Council, Dalhousie University, and the Art Gallery of Nova Scotia. Mr. Forbes received his Commerce Degree from Dalhousie University in 1983 and subsequently attained his Chartered Accountancy designation in 1986 with Grant Thornton and has gone on to complete the Centre for Creative Leadership Strategic Leadership Program, the Canadian Securities Course, Duke University's Strategic Financial Management program, Harvard University's Strategic Elements of Financial Management program and - most recently - the Institute of Corporate Director's program. Mr. Forbes is a member of the Canadian, Nova Scotia and Ontario Institutes of Chartered Accountants, and serves as a mentor to young technology entrepreneurs.

Mr. Forbes has been recognized for his contributions to his community and profession. He is a Top 40 Under 40 Award Recipient, a Chartered Accountant Fellow, and Top 50 CEO Award Recipient (2003, 2004, 2005 and 2006).

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

This is Mr. Forbes' first year standing for election. He was appointed to our Board on January 1, 2015 to fill the vacancy left upon the retirement of Pierre J. Blouin.

SECURITIES HELD:							
Common Shares [(2)]: **Market Value** [(4)]:	**5,000** **$117,250**	**PSUs** [(3)]: **Market Value** [(4)]:	**35,184** **$839,490**	**RSUs** [(3)]: **Market Value** [(4)]:	**23,456** **$559,660**	**Minimum Share Ownership:**	**On Target**
Total Common Shares , PSUs & RSUs [(4)] **:**	**63,640**		**Total Market Value of Common Shares , PSUs & RSUs** [(4)] **:**				**$1,516,400**
Meeting Attendance:	**Board:** N/A	**HRCC:** N/A	**GNC:** N/A	**Total Board & Committee Attendance:** N/A			
Experience:	CEO/COO/CFO[(5)], 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 2014 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**N/A**	**N/A**	**N/A**
N/A	**N/A**	**N/A**	**N/A%**

N. ASHLEIGH EVERETT

WINNIPEG, MANITOBA, CANADA

DIRECTOR SINCE: January 7, 1997

AGE: 58

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.[(6)]

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

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

SECURITIES HELD					
Common Shares[(2)]**:**	**1,300**	**DCUs**[(3)]**:**	**18,117**	**Total Common Shares & DCUs:**	**19,417**
Total Market Value of Common Shares & DCUs[(4)]**:**	**$455,329**			**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10	**HRCC:** 7/7	**GNC:** 8/8	**Total Board & Committee Attendance:**	100%
Experience:	CEO/COO/CFO[(5)], 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 2014 ANNUAL GENERAL MEETING:	**VOTES FOR:**	**VOTES WITHHELD:**	**TOTAL VOTES CAST:**
# of Votes	**35,153,614**	**2,509,725**	**37,663,339**
% of Votes	**93.3%**	**6.7%**	**100%**

BARBARA H. FRASER

WILTON, CONNECTICUT, UNITED STATES

DIRECTOR SINCE: September 17, 2014

AGE: 65

MANDATORY RETIREMENT: 2021

INDEPENDENT(1)

AREAS OF EXPERTISE:
Consumer Facing
Consumer Marketing / Insights
Strategic Planning

Barbara H. Fraser is a Corporate Director who also serves on the Boards of Economical Insurance, MD Life Insurance and Gerber Life Insurance Company (Nestle). In addition, she is a Board Member Emeritus of Ivey Business School. Earlier in her career, she served on nine other Boards as both an inside and outside Director.

As a business leader, Ms. Fraser was a C-level executive in marketing and general management at leading global companies in financial services (American Express from 2001to 2006, Citi from 1995 to 2000) and in consumer products (Procter & Gamble). In these roles, she has worked across Canada, the U.S.A. and worldwide. Before her retirement from American Express in 2006, she was Global President, Travelers Cheques & Prepaid Services, EVP, Products, CEO - IDS Life, CMO - American Express Financial Advisors, and SVP, Global Brand Strategy. Until recently Ms. Fraser has been consulting for Gerson Lehrman Group following her retirement from American Express.

Ms. Fraser is an HBA graduate from Ivey Business School, Western University.

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

This is Ms. Fraser's first year standing for election. She was appointed to our Board on September 17, 2014 to fill the vacancy left by the retirement of Jocelyne M. Côté-O'Hara.

SECURITIES HELD						
Common Shares(2)**:**	**Nil**	**DCUs**(3)**:**	**507**		**Total Common Shares & DCUs:**	**507**
Total Market Value of Common Shares & DCUs(4)**:**			**$11,889**		**Minimum Share Ownership:**	**On Target**
Meeting Attendance:	**Board:** 3/3	**HRCC:** 1/1	**GNC:** 1/1	**Audit:** 1/1	**Total Board & Committee Attendance:**	**100%**
Experience:	CEO/COO/CFO(5), 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 2014 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**

JUDI A. HAND

DENVER, COLORADO, UNITED STATES

DIRECTOR SINCE: May 13, 2014

AGE: 53

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 Inc., a technology company and wholly owned subsidiary of TeleTech Holdings, Inc., a position she has held since 2007. She has more than 25 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.

Ms. Hand is currently a member of the **Audit Committee**.

SECURITIES HELD					
Common Shares(2)**:**	**Nil**	**DCUs**(3)**:**	**686**	**Total Common Shares & DCUs:**	**686**
Total Market Value of Common Shares & DCUs(4)**:**			**$16,087**	**Minimum Share Ownership:**	**On Target**
Meeting Attendance:	**Board:** 10/10	**AC:** 8/8		**Total Board & Committee Attendance: 100%**	
Experience:	CEO/COO/CFO(5), 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 2014 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**37,514,105**	**149,359**	**37,663,364**
% of Votes	**99.6%**	**0.4%**	**100%**

GREGORY J. HANSON, FCA, FCIP, FLMI

WINNIPEG, MANITOBA, CANADA

DIRECTOR SINCE: May 8, 2007

AGE: 63

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 serves as a Director at James Richardson & Sons Limited and is involved with a number of charitable organizations.

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

Mr. Hanson currently is a member of the **Audit Committee** and was a member of both the **CEO Succession Sub-Committee** (responsible for recruiting a successor for the CEO) and the **Director Search Sub-Committee** (formed for the purposes of recruiting two new Directors onto the Board).

SECURITIES HELD					
Common Shares[(2)]**:**	**Nil**	**DCUs**[(3)]**:**	**23,515**	**Total Common Shares & DCUs:**	**23,515**
Total Market Value of Common Shares & DCUs[(4)]**:**	**$551,427**			**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10	**AC:** 8/8		**Total Board & Committee Attendance:**	100%
Experience:	CEO/COO/CFO[(5)], 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 2014 ANNUAL GENERAL MEETING:	**VOTES FOR:**	**VOTES WITHHELD:**	**TOTAL VOTES CAST:**
# of Votes	**36,541,085**	**1,122,279**	**37,663,364**
% of Votes	**97.0%**	**3.0%**	**100%**

KISHORE KAPOOR, CA

WINNIPEG, MANITOBA, CANADA

DIRECTOR SINCE: May 2, 2006

AGE: 58

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 the **Audit Committee** and was the Chair of the **Strategic Committee** (until it dissolved in September 2014).

SECURITIES HELD					
Common Shares[(2)]**:**	**1,000**	**DCUs**[(3)]**:**	**38,577**	**Total Common Shares & DCUs:**	**39,577**
Total Market Value of Common Shares & DCUs[(4)]**:**	**$928,081**			**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10 **AC:** 8/8	**SC:** 18/18		**Total Board & Committee Attendance:**	100%
Experience:	CEO/COO/CFO[(5)], 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 2014 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**37,478,317**	**185,022**	**37,663,339**
% of Votes	**99.5%**	**0.5%**	**100%**

DAVID G. LEITH

TORONTO, ONTARIO, CANADA

DIRECTOR SINCE: May 6, 2009

AGE: 55

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 Pages Limited, 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 a Director of Sinai Health System.

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 was a member of the **Strategic Committee**, (until it dissolved in September 2014)**,** the **Director Search Sub-Committee** (formed for the purposes of recruiting two new Directors onto the Board) and the **CEO Succession Sub-Committee** (responsible for recruiting a successor for the CEO).

SECURITIES HELD					
Common Shares[(2)]**:**	**5,000**	**DCUs**[(3)]**:**	**24,867**	**Total Common Shares & DCUs:**	**29,867**
Total Market Value of Common Shares & DCUs[(4)]**:**		**$700,381**		**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10	**SC:** 18/18		**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 – May 2010 to June 2012 Yellow Pages Limited – Since February 2012 Hudson's Bay Company – Since November 2012			
Public Board Interlocks:	None				

VOTING RESULTS OF 2014 ANNUAL GENERAL MEETING:	**VOTES FOR:**	**VOTES WITHHELD:**	**TOTAL VOTES CAST:**
# of Votes	**37,237,044**	**426,295**	**37,663,339**
% of Votes	**98.9%**	**1.1%**	**100%**

H. SANFORD RILEY, CM, OM, LLD

WINNIPEG, MANITOBA, CANADA

DIRECTOR SINCE: May 4, 2011

AGE: 64

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 and the Order of Manitoba in 2013

Mr. Riley is a member of the **Audit Committee** and was a member of the **Strategic Committee** (until it dissolved in September 2104).

SECURITIES HELD					
Common Shares[2]**:**	**2,232**	**DCUs**[3]**:**	**19,026**	**Total Common Shares & DCUs:**	**21,258**
Total Market Value of Common Shares & DCUs[4]**:**	**$498,500**			**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10	**AC:** 8/8	**SC:** 18/18	**Total Board & Committee Attendance:**	100%
Experience:	CEO/COO/CFO[5], 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 2014 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**36,350,617**	**1,311,471**	**37,662,088**
% of Votes	**96.5%**	**3.5%**	**100%**

D. SAMUEL SCHELLENBERG

R.M. OF MONTCALM, MANITOBA, CANADA

DIRECTOR SINCE: August 18, 1989[9]

AGE: 70

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[7].

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]:**	**18,153**	**Total Common Shares & DCUs:**	**20,753**
Total Market Value of Common Shares & DCUs[4]:	**$486,658**			**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10	**AC:** 8/8		**Total Board & Committee Attendance:**	100%
Experience:	CEO/COO/CFO[5], 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 2014 ANNUAL GENERAL MEETING:	VOTES FOR:	VOTES WITHHELD:	TOTAL VOTES CAST:
# of Votes	**37,359,588**	**303,851**	**37,663,439**
% of Votes	**99.2%**	**0.8%**	**100%**

CAROL M. STEPHENSON, O.C.

LONDON, ONTARIO, CANADA

DIRECTOR SINCE: May 22, 2008

AGE: 64

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, the Directors and Corporate Governance Committee and the Risk 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 is currently Chair of the **Human Resources & Compensation Committee,** a member of the **Governance & Nominating Committee** and was the Chair of the **CEO Succession Sub-Committee** (responsible for recruiting a successor for the CEO).

SECURITIES HELD					
Common Shares[2]**:**	**1,000**	**DCUs**[3]**:**	**33,080**	**Total Common Shares & DCUs:**	**34,080**
Total Market Value of Common Shares & DCUs[4] **:**			**$799,176**	**Minimum Share Ownership:**	**Attained**
Meeting Attendance:	**Board:** 10/10	**HRCC:** 7/7	**GNC:** 8/8	**Total Board & Committee Attendance:**	100%
Experience:	CEO/COO/CFO[5], 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 2014 ANNUAL GENERAL MEETING:	**VOTES FOR:**	**VOTES WITHHELD:**	**TOTAL VOTES CAST:**
# of Votes	**34,530,603**	**3,132,761**	**37,663,364**
% of Votes	**91.7%**	**8.3%**	**100%**

(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 2014 were Independent within the meaning of the regulatory Independence Requirements. Mr. Forbes 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 18, 2015.

(3) "DCUs" refers to the number of deferred compensation units held by the nominee as at March 18, 2015 under the Directors Share Appreciation Plan as described in **Directors' Share Ownership**.

(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 18, 2015 by the closing price of the Common Shares on the TSX on that date ($23.45). In the case of Mr. Forbes, "Market Value of Common Shares" is the number of Common Shares held by him as at March 18, 2015 multiplied by the closing price of the Common Shares on the TSX on that date ($23.45), and "Market Value of PSUs and RSUs" is the number of PSUs and RSUs held by him as at March 18, 2015 multiplied by the weighted average of the trading prices of the Common Shares on the five consecutive trading days preceding March 18, 2015 ($23.86).

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

(6) Ms. 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.

(7) Mr. Schellenberg was a member of the Board of Commissioners of The Manitoba Telephone System prior to January 7, 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 & 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 2014 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 STANDING COMMITTEE MEETINGS HELD & 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")	7	100%

Individual attendance records are set out in the table below.

INDIVIDUAL MEETING ATTENDANCE

Director	Board	Board Meeting Total %	AC	GNC	HRCC	SC (dissolved)	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%
N. Ashleigh Everett	10/10	100%		8/8 (CHAIR)	7/7		15/15	100%	25/25	100%
Jocelyne M. Cote-O'Hara(1)	7/8	88%		6/6	5/5		11/11	100%	18/19	95%
Gary A. Filmon(2)	10/10	100%		8/8	7/7 (CHAIR)(2)		15/15	100%	25/25	100%
Barbara H. Fraser	2/2	100%	2/2	1/1	1/1		4/4	100%	6/6	100%
Judi A. Hand	10/10	100%	8/8				8/8	100%	18/18	100%
Gregory J. Hanson	10/10	100%	8/8				8/8	100%	18/18	100%
Kishore Kapoor	10/10	100%	8/8 (CHAIR)			18/18 (CHAIR)	26/26	100%	36/36	100%
David G. Leith	10/10	100%	n/a(4)	n/a(4)	n/a(4)	18/18	18/18	100%	28/28	100%
H. Sanford Riley	10/10	100%	8/8			18/18	26/26	100%	36/36	100%
D. Samuel Schellenberg	10/10	100%	8/8				8/8	100%	18/18	100%
Carol M. Stephenson	10/10	100%		8/8	7/7 (CHAIR)(5)		15/15	100%	25/25	100%
TOTAL OF ALL ATTENDEES	109/110	99%	42/42	31/31	27/27	54/54	154/154	100%	263/264	99.6%

(1) Jocelyne Cote-O'Hara retired as a Director of the Company on September 17, 2014.

(2) Gary Filmon served as Chair of the Human Resources and Compensation Committee until the annual general meeting of shareholders in May 2014.

(3) Judi A. Hand was elected as a Director of the Company on May 13, 2014, at the annual general meeting of shareholders.

(4) David Leith is an ex-officio member of all Committees of the Board, other than the Strategic Committee (which dissolved in September 2014). In addition he was a member of the Director Search Sub-Committee (formed for the purposes of recruiting two new Directors onto the Board) and the CEO Succession Sub-Committee (responsible for recruiting a successor for the CEO), both of which were formed and dissolved in 2014 after completing their mandate.

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.

(5) Carol Stephenson was elected Chair of the Human Resources and Compensation Committee in May 2014 following the annual general meeting of shareholders.

EVALUATION OF BOARD & 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. In 2014, we amended the structure of our "skills matrix" to refine our capability of doing effective "gap" analysis as the Director Search Sub-Committee conducted its work. This Committee, which was formed and dissolved in 2014 after successfully completing its mandate, resulted in the addition of two new Directors to our Board in 2014. 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	J.A. Forbes	N. A. Everett	G. A. Filmon	B. H. Fraser	J. A. Hand	G. J. Hanson	D. G. Leith	K. Kapoor	H.S. Riley	D. S. Schellenberg	C. M. Stephenson	TOTAL
Mandatory Retirement	Age 72	2033	2029	2015	2021	2034	2023	2032	2029	2023	2017	2023	
Age Distribution	Under 60	■	■			■		■	■				5
	60 - 69				■		■			■		■	4
	70 - 72			■							■		2
Citizenship	Canadian	■	■	■	■		■	■	■	■	■	■	10
	Other				■	■							2
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	3					1	1	1				
	Telecommunications / Converged Technology	2				2						1	
	Human Resources / Compensation		2	2			3				1	2	
	Consumer Marketing / Insights				2	1							
	Consumer Facing		3		1					3			
	Strategic Planning	1	1	3	3	3	2	3	2	1	2		
	Regulatory / Law / Government / Risk Management			1				2		2	3	3	
Experience (Check All That Apply)	CEO / COO / CFO	■	■	■	■	■	■		■	■	■	■	10
	Experienced Director		■	■	■		■	■	■	■	■	■	9
	Retired Executive				■		■	■		■	■	■	6
	Financial	■	■		■	■	■	■	■	■	■		8
	Public Company (Executive or Board)	■	■	■	■	■	■	■	■	■	■	■	11
	Telecommunications / Converged Technology	■				■					■	■	4
	Risk Management	■	■		■		■	■	■	■	■	■	9

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 and election of Judi A. Hand at the annual general meeting of shareholders in May 2014 and the appointment of Barbara H. Fraser to fill the vacancy left after the retirement of Jocelyne Cote O'Hara in September 2014.

Both are innovative leaders in consumer marketing and business strategy. They have enhanced our Board's breadth of skills and expertise by fulfilling the desired skill sets identified as a result of our "gap analysis" while reflecting our Board's continued commitment to 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 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 were 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 led to strong results. The Board is now even more diverse, and has strong leaders in finance, marketing, 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. The Company decided to pre-emptively comply with the proposed Ontario Securities Commission "comply or explain" rules in last year's circular, prior to their adoption of the amendments, and has updated the same for this year's circular.

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, we confirmed our 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. More recently, in January 2015, we continued our commitment to the representation of women and joined, as a founding member of the Canadian arm, the efforts of the 30% Club, which we believe has become a significant global business leadership initiative that will increase the representation of women on corporate boards. We are proud that following our AGM, we expect that 4 out of 10 Directors of our Company (40%) will be female, which is among the best in the industry. An analysis conducted by the Winnipeg Free Press in 2013 found that only 6% of corporate directorships in Manitoba were held by women. 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. The 2014 Canadian Spencer Stuart Board Index of 100 leading publicly-traded Canadian companies indicated an average of 22% of female Directors on such boards.

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, indigenous people, persons with disabilities and members of the LGBT community. 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, indigenous 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 MTS Allstream is in line with the overall number of women in our workforce; 40% of our leaders are women as compared to 40% of our workforce. Although none of our NEOs are women, 24% of our senior management (General Managers, Vice-Presidents and NEOs) are. Importantly, in 2014 through early 2015, 40% of the promotions at this level were female. The Company recognizes the benefit of an even distribution of men and women at all levels of the organization and aims to maintain or increase these numbers going forward.

On January 1, 2015, Mr. Forbes joined the Company as the new CEO. At this time, the Company's Executive Committee did not contain any women, and only one officer of the Company was a woman (representing 17% of the officers of the Company). Mr. Forbes, together with the Board, is committed to finding ways to increase the representation of women at all levels of the organization, including at the executive ranks. Although these discussions have not included the creation of formal targets, they have included a frank acknowledgement that there remains considerable ground for improvement. More fulsome disclosure is expected to be provided in next year's Circular, after the CEO has had more time to assess the situation.

In addition to increasing the representation of women at all levels of the organization, the Company aspires to increase the representation of visible minorities, indigenous people, and persons with disabilities.

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. 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. This policy is described in more details on page 31.

MAJORITY VOTING POLICY

We believe that majority voting policies hold individual Directors accountable to our shareholders. To ensure the ongoing confidence and support of its shareholders the Board first adopted its majority voting policy in 2006. In 2014, the policy was amended to comply with the new TSX requirements. Pursuant to such policy any Director must immediately tender his or her resignation to the Board Chair, to be effective when accepted by the Board, if he or she is elected in an uncontested election with a greater number of votes "withheld" from his or her election than votes "in favour" of such election. Within 90 days of the meeting where the election was held, upon the recommendation of the GNC, the Board will determine whether or not to accept the resignation. It is expected that the Board will accept the resignation absent exceptional or extenuating circumstances. A Director who tenders a resignation will not participate in any meeting of the Board, Committee, or any Sub-Committee of the Board at which the resignation is considered. We will promptly issue a news release announcing the Board's decision, including the reason for not accepting the resignation (if applicable). If a resignation is accepted, the Board may fill any resulting vacancy through the appointment of a new director, subject to our Articles and applicable laws.

Our majority voting policy meets 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 public companies and a Director who is not employed full-time should not serve on the board of more than four 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 will 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. Some Committee memberships have already been rotated in 2015, with additional rotations expected following our annual meeting of shareholders.

ROLE OF BOARD IN OVERSEEING RISK PROGRAM

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 above is an indicative representation of how we perceive, organize and rank our principal risks.

More details in respect of the risks we face, and how we manage them, are contained in the "Risks and Uncertainties" section of our annual MD&A for the year ended December 31, 2014, a copy of which is available at www.SEDAR.com or alternatively, shareholders may obtain a copy upon request to our Investor Relations department:

P.O Box 6666, Room MP20B
333 Main Street
Winnipeg, Manitoba R3C 3V6
e-mail: investor.relations@mtsallstream.com

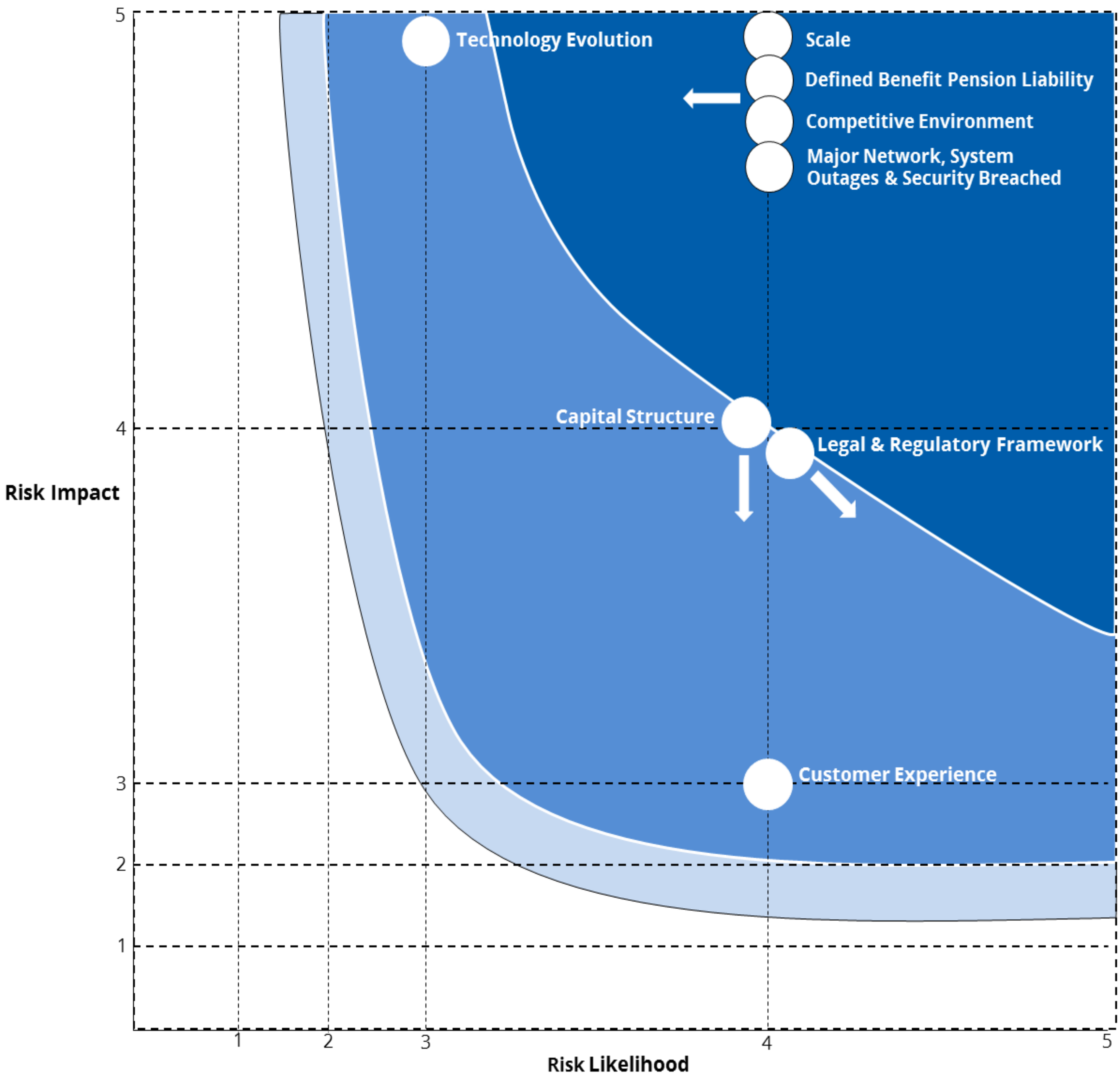
Each of these principal risks has an Executive Committee "owner" or "owners" responsible to present this risk to the Board and/or relevant Committee, and also present the mitigation plans implemented to manage the same risk.

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 TABLE



CONTINUING EDUCATION & 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.

We refreshed our Director Orientation Program in 2014 to be more robust and comprehensive.

With two new Directors joining the Board in 2014, we used the opportunity to refresh our Director Orientation Program to be more comprehensive and robust and included full day sessions at each MTS and Allstream, as well as with corporate groups. New Directors are provided with detailed presentations with respect to the Company's operations followed by meetings with executive management and their teams to educate new Directors in on the history, team structure, key responsibilities, competitive landscape, marketing and brand strategies, and our customers. Following the meetings Directors are taken on site visits to locations such as our customer service and network operation centres. In addition, 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, the Chief Financial Officer and the Presidents of each Division. 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 Board members and management. The GNC also tracks the scheduling of such sessions to ensure that they are prioritized based on perceived value and importance.

During 2014, 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.

NEW! DIRECTOR FLIPBOARD

In 2015 we adopted the use of "Flipboard" as a new and current way to share and display collections of articles, news clippings, etc. that cover topics related to industry, technology, governance, compensation, innovation, ethics, fiduciary duties and other significant trends with our Directors. These "magazines" within Flipboard will be sent to our Directors every two months. Often elements of these materials that are of particular interest are often discussed in greater detail during Board meetings.

Directors view the Flipboard as an efficient way to remain current on trends in telecommunications, governance, compensation and other matters relevant to public companies.

MEETING MORE EMPLOYEES

Increasingly, the Board is making efforts to meet with employees below the executive level, in both social and professional situations. This provides Directors with greater insight into the organization and the quality of its talent pool, while offering an excellent opportunity for employees to hear from our Board directly.

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.

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.

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 2014

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
FEBRUARY	Views on Market (MTS)	External	Entire Board
	View on Market (Allstream)	External	Entire Board
	Industry Developments	Management	Entire Board
JUNE	Legal Landscape	External	Entire Board
SEPTEMBER	Technology Trends & Impacts	External	Entire Board
	Shareholder Expectations / Views	External	Entire Board
	Shareholders Perspective on "Say on Pay"	External	Entire Board
	Government Developments	External	Entire Board
	Ottawa Telecom Proceedings	Management	Entire Board
	Board Portal Update	External	Entire Board
	Analyst Perspectives	External	Entire Board
DECEMBER	Strategic Opportunities	Management	Entire Board
	Update on Class Action Telecom Proceedings	Management	Entire Board

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. As a result, Mr. Filmon will be retiring as a Director at this years' annual general meeting.

USES 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 has the corollary benefit of reducing costs. In 2014, the Board 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 2014

- ☑ In early 2015, the GNC undertook an internal analysis, with reference to market trends and third party surveys, of our Director compensation practices, which resulted in adjustments to the supplemental retainers paid. The review also confirmed that our other current basic retainer remains within acceptable ranges of peer benchmarking, despite the fact that Directors have not had an increase of their basic retainers since January 1, 2007.

In early 2015 we adjusted the supplemental Chair retainers to reflect current market practices.

- ☑ It was also noted in our review process that our Board and Committees meet more frequently than many of our peers (and, like 2013, we had another very busy year), 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.
- ☑ No non-executive Directors hold stock options.
- ☑ 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 comprehensively reviewed the issue of Director compensation and asked Mercer to prepare benchmarking analysis. The GNC updated the analysis in 2013 and 2014 determining that compensation levels remained generally within the ranges of our peer group. However, as a result of internal analysis with reference to market trends and third party surveys that took place in early 2015, the GNC determined that the supplemental retainers for the Chairs of the Audit Committee and the HRCC should be adjusted to be more reflective of market practices and the expected time and effort required from such Chairs. As a result of the review, the supplement for the Chair of the HRCC was increased from $20,000 to $40,000 while the supplement for the Chair of the Audit Committee was reduced from $55,000 to $40,000. This review confirmed that our other Director retainers remain within acceptable ranges of peer benchmarking, despite the fact that Directors have not had an increase in their basic retainers since January 1, 2007, and the Board 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, 2014, the non-executive/independent Directors received compensation in accordance with the following standard arrangements:

ANNUAL RETAINERS & 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	
Supplemental Chair Retainer:	
Audit Committee[3]	55,000
Governance & Nominating Committee	20,000
Human Resources & Compensation Committee[3]	20,000
Strategic Committee (Active Quarter) [4]	10,000
Director Search Sub-Committee	20,000
CEO Succession Sub-Committee	20,000
Supplemental Member Retainers:	
Standing Committees	0
Strategic Committee Members (Active Quarter) [4]	5,000
Director Search Sub-Committee Members	10,000
CEO Succession Sub-Committee	10,000
MEETING FEES	
Strategic Committee Chair [4]	2,000
CEO Succession Sub-Committee Chair	2,000
Strategic Committee Members [4]	1,500
CEO Succession Sub-Committee Members	1,500

(1) Directors' retainer fees for standing committees 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) In early 2015, the GNC undertook a comprehensive review of our Director compensation practices, which resulted in adjustments to the supplemental retainers paid to the Chairs of the Audit Committee (reduced from $55,000 to $40,000) and the HRCC (increased from $20,000 to $40,000).

(4) 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 2014 is incremental compensation for the 18 Strategic Committee meetings held in 2014, 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. These payments cease upon retirement.

MINIMUM SHARE OWNERSHIP REQUIREMENT

The average value of common shares and DCUs owned by independent Directors is 4.12 times the annual retainer.

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 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 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, the seven Director nominees who have been with the Company at least three years have satisfied the minimum share ownership requirement. The two Director nominees that joined the Company in 2014 are "on target" to satisfy this 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.

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 DCUs. 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 days advance notice. This notice may be delivered as early as the retirement date itself, or as late as eleven months following such date. As a result, Directors would receive cash payment as early as thirty days following the retirement date, or as late as one 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. There are currently no outstanding options held by non-executive Directors.

EQUITY-BASED INVESTMENT & YEAR-OVER-YEAR CHANGES

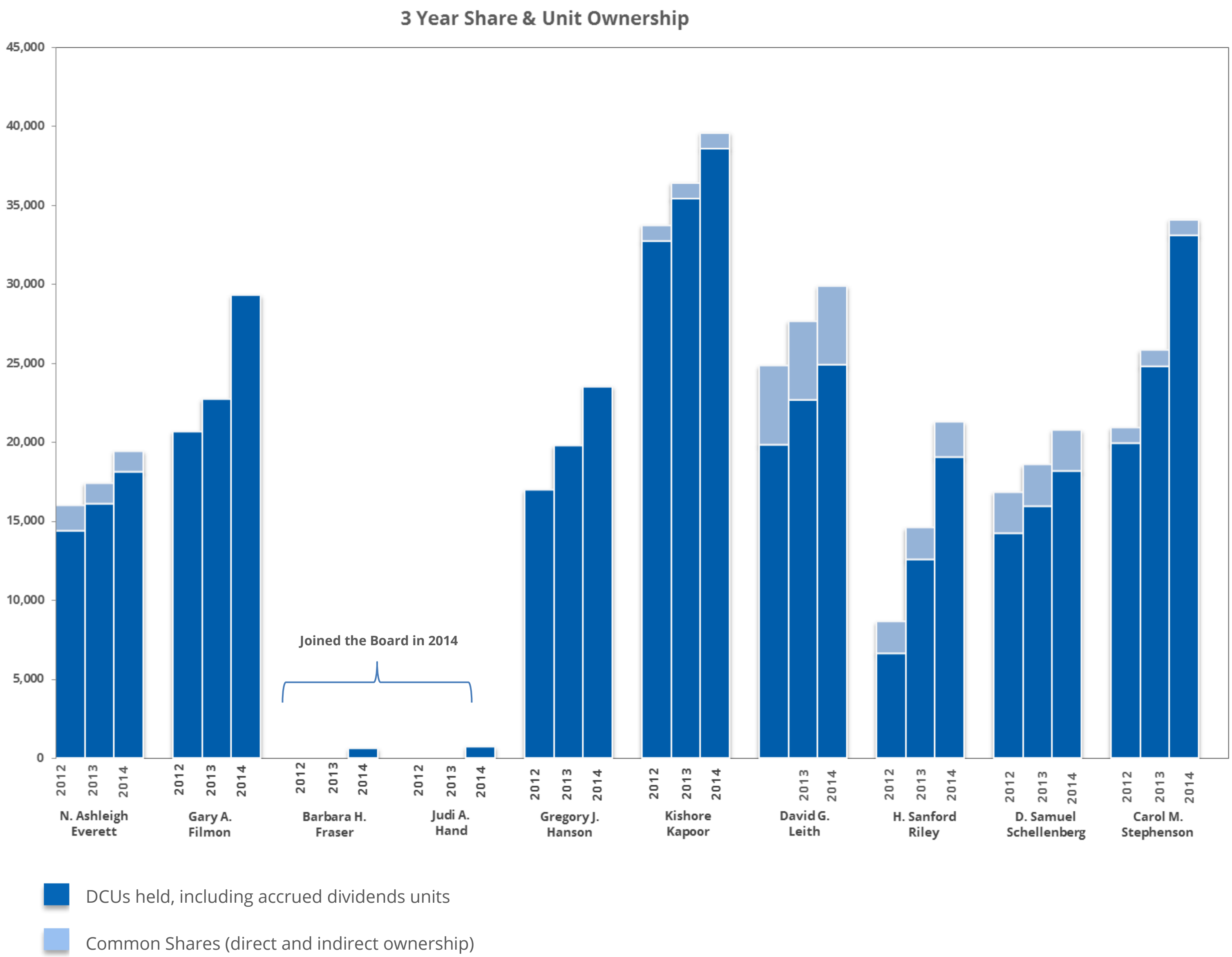
We own shares and units worth $5,950,844!

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 non-executive Director as of December 31, 2014 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.

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 2014 Annual Retainer[(2)]
N. Ashleigh Everett (1997)	2014	1,300	18,117	19,417	0	Attained	4.40
	2013	1,300	16,097	17,397	0		
	Net Change	0	2,020	2,020	0		
Gary A. Filmon (2003)	2014	0	29,282	29,282	0	Attained	6.63
	2013	0	22,714	22,714	0		
	Net Change	0	6,568	6,568	0		
Barbara H. Fraser (2014)	2014	0	507	507	0	On Target	0.12
	2013	0	0	0	0		
	Net Change	0	507	507	0		
Judi A. Hand (2014)	2014	0	686	686	0	On Target	0.16
	2013	0	0	0	0		
	Net Change	0	686	686	0		
Gregory J. Hanson (2007)	2014	0	23,515	23,515	0	Attained	5.33
	2013	0	19,796	19,796	0		
	Net Change	0	3,719	3,719	0		
Kishore Kapoor (2006)	2014	1,000	38,577	39,577	0	Attained	8.96
	2013	1,000	35,412	36,412	0		
	Net Change	0	3,165	3,165	0		
David G. Leith (2009)	2014	5,000	24,867	29,867	0	Attained	6.76
	2013	5,000	22,469	27,469	0		
	Net Change	0	2,398	2,398	0		
H. Sanford Riley (2011)	2014	2,232	19,026	21,258	0	Attained	4.81
	2013	2,000	12,554	14,554	0		
	Net Change	232	6,472	6,704	0		
D. Samuel Schellenberg (1989)	2014	2,600	18,153	20,753	0	Attained	4.70
	2013	2,600	15,943	18,543	0		
	Net Change	0	2,210	2,210	0		
Carol M. Stephenson (2008)	2014	1,000	33,080	34,080	0	Attained	7.72
	2013	1,000	24,800	25,800	0		
	Net Change	0	8,280	8,280	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 consecutive trading days preceding December 31, 2014, which was $27.18.


3 Year Share & Unit Ownership
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
Joined the Board in 2014
2012
2013
2014
N. Ashleigh Everett
Gary A. Filmon
Barbara H. Fraser
Judi A. Hand
Gregory J. Hanson
Kishore Kapoor
David G. Leith
H. Sanford Riley
D. Samuel Schellenberg
Carol M. Stephenson
DCUs held, including accrued dividends units
Common Shares (direct and indirect ownership)

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 31, 2014.

Director	Retainer Fee Breakdown					Total Fees Earned ($)	All Other Comp[1] ($)	Total Comp[2] ($)	Allocation of Total Compensation		Allocation of Total Fees Earned between Cash & DCUs[5] (%)
	Basic Board ($)	Chair ($)	SC ($)	Director Search ($)	CEO Succession ($)				Total Comp Earned as Cash[3] ($)	Total Comp Earned as DCUs[4] ($)	
Jocelyne M. Cote-O'Hara	85,761	-	-	-	-	85,761	5,146	90,907	69,466	21,440	75/25
N. Ashleigh Everett	120,000	20,000	-	10,000	-	150,000	7,200	157,200	127,200	30,000	80/20
The Honourable Gary A. Filmon	120,000	7,308	-	20,000[7]	-	147,308	7,200	154,508	7,200	147,308	0/100
Barbara H. Fraser	34,239	-	-	-	-	34,239	2,054	36,293	22,598	13,695	60/40
Judi A. Hand	76,603	-	-	-	-	76,603	4,569	81,172	62,021	19,151	75/25
Gregory J. Hanson	120,000	-	-	10,000	24,250	154,250	7,200	161,450	89,325	72,125	53/47
Kishore Kapoor	120,000	55,000	66,000[9]	-	-	241,000	7,200	248,200	218,200	30,000	88/12
David G. Leith	120,000	155,000	42,000	10,000	31,000	358,000	7,200	365,200	335,200	30,000	92/8
H. Sanford Riley	120,000	-	42,000	-	-	162,000	7,200	169,200	7,200	162,000	0/100
D. Samuel Schellenberg	120,000	-	-	-	-	120,000	7,200	127,200	91,575	35,625	70/30
Carol M. Stephenson	120,000	12,692	-	-	57,000[10]	189,692	7,200	196,892	7,200	189,692	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 not permitted to take the amounts that fall under "All Other Compensation" as DCU's, thus this amount is calculated by reference to the "Total Fees Earned" column.

(6) Jocelyne Cote-O'Hara retired as a Director of the Company on September 17, 2014.

(7) Mr. Filmon's "Director Search Retainer" includes Director Search Sub-Committee Chair Retainer and Meeting Fees.

(8) Judi A. Hand was elected as a Director of the Company on May 13, 2014, at the annual general meeting of shareholders.

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

(10) Ms. Stephenson's "CEO Search Retainer" includes CEO Succession Sub-Committee Chair Retainer and Meeting Fees.

CORPORATE GOVERNANCE

HIGHLIGHTS IN 2014

- ☑ 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.

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

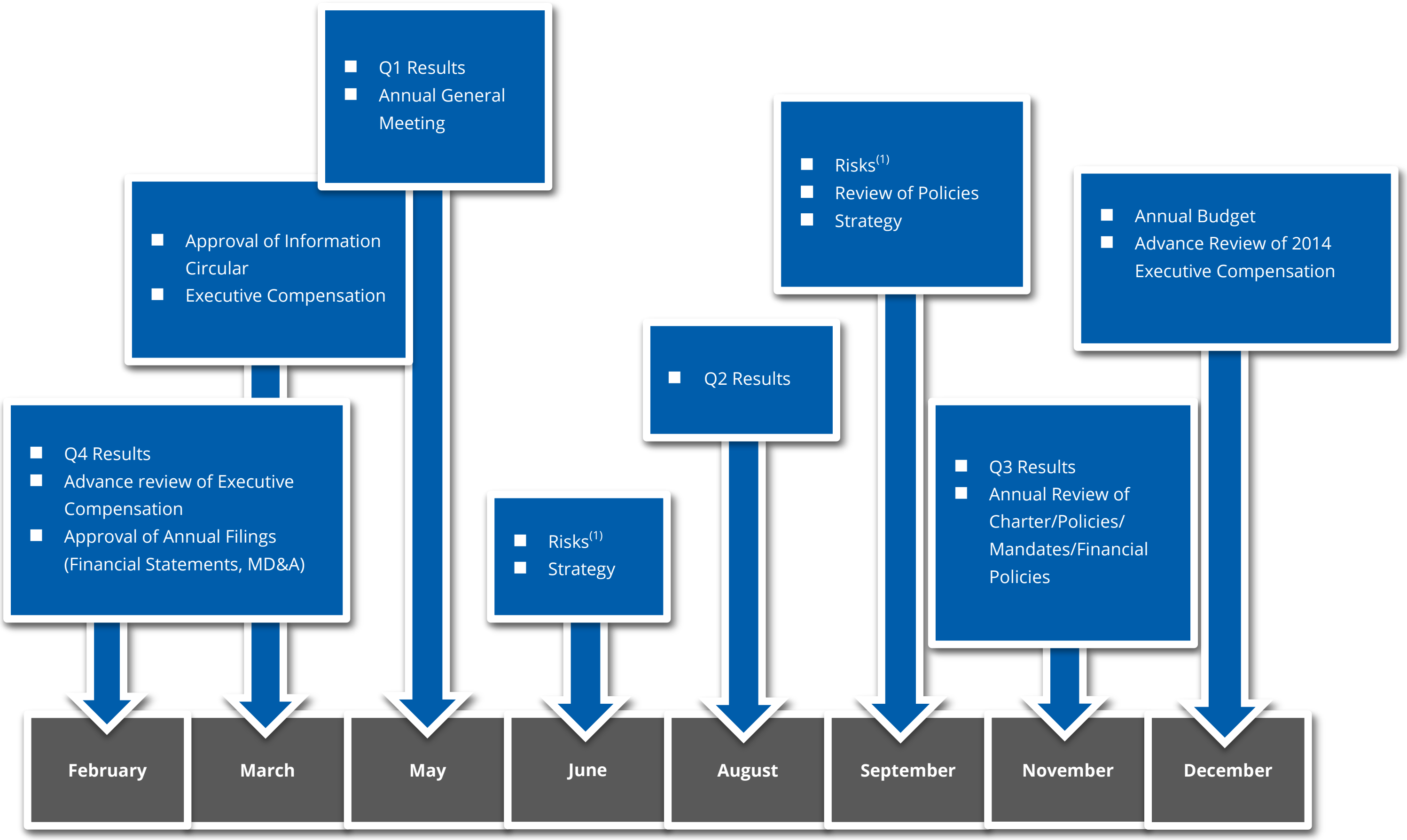
CORPORATE GOVERNANCE PRACTICES & SUBSIDIARY GOVERNANCE

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 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 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 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. In 2014, there were slight adjustments made to address the pending retirement of Mr. Blouin and in anticipation of Mr. Forbes commencement.



(1) As discussed under **Effective Risk Management**, the board considers and evaluates risks at 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 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 2014 the Board also had an additional three Committees.

The **Strategic Committee** had the mandate to oversee and supervise the Strategic Review process conducted by the Company's senior management and external financial and legal advisors in respect of the Allstream Division.

The **Director Search Sub-Committee** formed to recruit new Directors to the Board to fill the vacancies left due to the retirement of J. Côté-O'Hara in September 2014 and the mandatory retirement of G. Filmon at our annual meeting of shareholders in May 2015.

The **CEO Succession Sub-Committee** whose mandate was to lead a comprehensive international search for a successor for the CEO.

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.

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 times in 2014.

MEMBERSHIP OF THE COMMITTEE

The Audit Committee is made up of five independent Directors: Kishore Kapoor (Chair), Judi A. Hand, 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 TSX from 1999 to 2003 and thereafter for Loring Ward International (also listed on TSX) until 2005.

JUDI A. HAND: Ms. Hand has over 25 years of experience in the Communications and Media industry. She has run consumer, small business and enterprise divisions of major US Communications companies. Today she is the President of Revana, a sales and marketing outsourcing company that provides turnkey solutions to Fortune 500 brands including global communications providers to acquire, grow and retain customers.

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.

2014
AUDIT COMMITTEE HIGHLIGHTS

FINANCIAL REPORTING

- ☑ Reviewed internal and external financial reporting procedures.
- ☑ Reviewed financial statements, financial results, external reporting packages, 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 results of our Internal Controls over Financial Reporting program, and disclosures made by the CEO and CFO during their NI 52-109 certifications processes.

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 independent Internal Auditor without management present.

EXTERNAL AUDITOR

- ☑ 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 pension plan annual reports and financial statements.
- ☑ Reviewed the governance, investment performance, funding, and administration of the Company's pension plans.
- ☑ Pension Plan risk management study.

OTHER PROJECTS

- ☑ Reviewed and approved amendments to the Corporate Disclosure Policy.
- ☑ Reviewed and approved amendments to the Financial Authorization Policy.
- ☑ 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, 2014. More information about the Audit Committee can be found under the "Audit Committee" section of the Company's annual information form for the year ended December 31, 2014, which also contains a copy of the Audit Committee Charter, filed under the Company's profile on SEDAR at www.sedar.com. This summary report has been approved by the members of the Audit Committee.

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 Circular and other risk management activities and, in conjunction with the HRCC, planning for CEO succession.

The GNC met eight times in 2014.

MEMBERSHIP OF THE COMMITTEE

The Governance & Nominating Committee is made up of four (4) independent Directors: N. Ashleigh Everett (Chair), Gary A. Filmon, Barbara H. Fraser and Carol M. Stephenson.

In anticipation of Mr. Filmon's mandatory retirement at our upcoming annual meeting of shareholders Ms. Fraser was appointed to this Committee in December 2014.

RELEVANT EXPERTISE AND EXPERIENCE

Each member of the GNC has extensive expertise in the governance of public companies, and collectively they 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 roles 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.

GARY A. FILMON: Mr. Filmon has served on the Governance and Nominating Committees of six publicly-traded companies for a cumulative total of more than 30 years. He is also currently Chair of the board of Exchange Income Corporation 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.

BARBARA H. FRASER: Ms. Fraser has a long history of corporate governance beginning in 1987 when she became an internal Director at Procter & Gamble Canada and held similar internal Directorship roles at Citi and at American Express in the United States following. As a Corporate Director, she is directly involved in governance in two other Boards on which she serves - Gerber Life Insurance (Nestle) and MD Life Insurance. In addition, she regularly participates in education sessions relating to corporate governance matters.

CAROL M. STEPHENSON: Ms. Stephenson serves on Governance Committees of three 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.

2014
GOVERNANCE AND NOMINATING COMMITTEE HIGHLIGHTS

SIGNIFICANT ENHANCEMENTS TO DIRECTOR EDUCATION PROGRAM

- ☑ Continued with the plan to 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.
- ☑ Oversaw CEO Succession Sub-Committee.

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 were 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 expectations.

BOARD SIZE & SUCCESSION PLANNING

- ☑ Oversaw Director Search Sub-Committee through its recruitment process in advance of the vacancy left following the retirement Ms. Cote-O'Hara in September and Mr. Filmon's mandatory retirement at our annual meeting of shareholders.
- ☑ 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.

Director Search Sub-Committee fulfilled its mandate resulting in the recruitment of two new Directors this year.

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.
- ☑ Reviewed 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, 2014. This summary report has been approved by the members of the Governance & Nominating Committee.

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 ("Hugessen") as an external advisor that specializes in compensation, as well as independent counsel selected through a competitive RFP process. The role of Hugessen is described in "**Role of External Compensation Consultant in Executive Compensation**" below.

The HRCC met seven times in 2014.

MEMBERSHIP OF THE COMMITTEE

The Human Resources & Compensation Committee is made up of four independent Directors: Carol M. Stephenson (Chair), N. Ashleigh Everett, Barbara H. Fraser and Gary A. Filmon.

In anticipation of Mr. Filmon's mandatory retirement at our upcoming annual meeting of shareholders Ms. Fraser was appointed to this Committee in December 2014.

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":

CAROL M. STEPHENSON (CHAIR): Ms. Stephenson serves on the Human Resource and Compensation Committee of three other public companies: Intact Financial (Chair), Ballard Power Systems (Chair) and General Motors Company. She was also Chair, for more than ten 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.

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.

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

BARBARA H. FRASER: As a former C-suite executive at P&G, Citi and American Express, Ms. Fraser has had twenty years of senior level private sector experience in organizational structure, talent assessment, and optimization of Human Resources, including incentive and compensation practices. As a Corporate Director over the past seven years, she has played an active role in evaluating and approving performance & compensation plans at three of the other Boards on which she serves - Gerber Life Insurance (Nestle), MD Life Insurance, and Economical Insurance.

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.

2014
HUMAN RESOURCES AND COMPENSATION COMMITTEE HIGHLIGHTS

INDEPENDENT COUNSEL

- ☑ Ran a comprehensive RFP process for independent counsel.

"SAY ON PAY"

- ☑ Reviewed the results of the 2014 "say on pay" advisory vote and worked with an independent compensation consultant and independent counsel to refresh the benchmarking for the CEO compensation and to ensure that our employment arrangement with our new Chief Executive Officer reflects good governance. The key terms of Mr. Forbes' employment agreement are described under the heading **Employment Arrangements, Termination and Change of Control Benefits**.

- ☑ Worked with the Company's Investor Relations department to instruct dialogue with certain major shareholders who expressed concern on our "say on pay" vote at our 2014 annual meeting of shareholders.

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.

COMPENSATION PRACTICES

- ☑ Worked in conjunction with the CEO Succession Sub-Committee to set the terms of the incoming CEO (Jay Forbes) compensation structure to reflect not only good governance but also to refresh the benchmarking for CEO compensation. The key terms of Mr. Forbes' employment agreement are described under the heading **Employment Arrangements, Termination and Change of Control Benefits**.

- ☑ Reviewed and set the compensation structure of each senior executive.

- ☑ 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, 2014. This summary report has been approved by the members of the Human Resources & Compensation Committee.

EXECUTIVE & CEO SUCCESSION PLANNING

EXECUTIVE SUCCESSION PLANNING

Executive succession planning is one of the responsibilities of the HRCC. 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.

CEO SUCCESSION PLANNING

CEO succession planning is dealt with jointly by the HRCC and the GNC, and also discussed at the Board level. Each year, the Directors review 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.

In 2014, the Board executed on its CEO succession plan to replace Pierre J. Blouin, whose retirement was announced in August 2014. To conduct the CEO succession plan in an efficient manner, the Board formed a CEO Succession Sub-Committee, which was a sub-committee of the GNC. The mandate of the CEO Succession Sub-Committee was to work with advisors to facilitate the CEO search process and allow the Board to receive the information it desired to make an informed decision and ensure proper processes had been followed. Serving on the CEO Succession Sub-Committee were Carol Stephenson (Chair), David Leith and Gregory J. Hanson.

The Board, with the assistance of its advisors, undertook a comprehensive review process. As a first step, all Directors (including the existing CEO) were interviewed to establish what skills, attributes and experiences were required of the next CEO. Thereafter, a comprehensive "qualifications document" was drafted by the search firms, which was then circulated to the entire Board for further comments, refinement and finalization.

A range of candidates with industry and broader technology backgrounds and having both domestic and international experience were fully considered. All potential candidates were reviewed and assessed in light of the final "qualifications document".

Through the search process, the Board examined leading governance and compensation practices in the area of executive compensation. The CEO Succession Sub-Committee worked in conjunction with the HRCC and its independent compensation advisor, Hugessen, along with independent counsel to develop a "Candidate Term Sheet" that would reflect not only good governance, but also refresh the benchmarking for the CEO compensation, in light of current market pay trends and the relative size of the Company within an appropriate comparator group.

Following this comprehensive search, in November 2014, the Company announced that the Board had appointed Jay A. Forbes as CEO and Director effective January 1, 2015. To support an orderly transition, Mr. Blouin remained CEO and a Director until his retirement on December 31, 2014.

More information regarding Mr. Forbes' experience can be found on page 88. The key terms of Mr. Forbes' employment agreement are described under the heading **Employment Arrangements, Termination and Change of Control Benefits**.

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. Often our Board members listen to such calls and receive debriefs following. 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, senior leadership held over seventeen individual meetings with current and potential shareholders and made four investor presentations.

To ensure our shareholders have a venue to convey their suggestions or concerns, shareholders are encouraged to contact our Board via email through the Investor Relations Office at investor.relations@mtsallstream.com.

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

EXECUTIVE COMPENSATION

HIGHLIGHTS OF EXECUTIVE COMPENSATION PHILOSOPHY

- ☑ In recruiting our new CEO, we were mindful to adopt best practices, including clawbacks, post-retirement hold periods and state-of-the-art provisions dealing with change of control.
- ☑ 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.
- ☑ 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 60% to 79% 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 4X their individual salary in Common Shares or share units, depending on their level within the Company.
- ☑ 85% of our executives have met their share ownership requirements; those who have not yet done so are on 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 compensation 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 superior relative TSR, and likewise, their reward levels will be affected by a lower relative TSR. 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 2015

Before commencing our 2014 Compensation Discussion & Analysis ("CD&A"), we would like to provide a quick overview of where the program is headed in 2015.

In connection with the work done by the CEO Succession Sub-Committee and its advisors, the Company introduced the following enhancements to its executive compensation structure:

- Updated approach to CEO compensation, which reflects not only **good governance** but also **refreshes** the benchmarking for CEO compensation. The key terms of the compensation for our new CEO, Jay A. Forbes, are described under the heading **Employment Arrangements, Termination and Change of Control Benefits**.
- Increased weighting to PSUs – now performance factors apply to **60%** of LTI to all executives.
- Performance periods for 100% of PSUs now increased to **three years.**

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 "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 60% to 79% of their compensation "at risk". Our Circular provides a number of data points demonstrating that our NEOs' realized pay is heavily influenced by performance, and is also linked to our shareholders' total shareholder return. Our new CEO has 75% of his compensation "at risk".

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 and discuss them in our circular. We will do the same thing in 2015 in conjunction with our refreshed strategy plans.

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 5.6 times their annual base salary. Our new CEO personally acquired shares prior to joining our Company, and has a 400% share ownership requirement and a post-retirement hold period.

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. Our new CEO's employment arrangements reflect best market practices and no excessive benefits.

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.

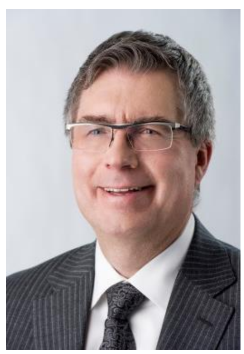
We agree, and we "walk the walk" and are willing to meet with our stakeholders, as we believe in open communication and dialogue.

STRUCTURE OF COMPENSATION DISCUSSION & ANALYSIS

The HRCC works with an external compensation consultant to develop and track our 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") AS AT DECEMBER 31, 2014 WERE:





PIERRE J. BLOUIN* Chief Executive Officer	**WAYNE S. DEMKEY** Chief Financial Officer	**KELVIN A. SHEPHERD** President MTS	**MICHAEL R. STROPLE** President Allstream	**PAUL A. BEAUREGARD** Chief Corporate and Strategy Officer & Corporate Secretary

* Pierre J. Blouin retired on December 31, 2014 and has been replaced by Jay A. Forbes.

APPOINTMENT OF JAY A. FORBES AS CHIEF EXECUTIVE OFFICER

In 2014, the Board executed its succession process for a new Chief Executive Officer to replace Pierre J. Blouin, whose retirement was announced in August 2014. Following a comprehensive international search, in November 2014, the Company announced that the Board had appointed Jay A. Forbes as Chief Executive Officer and a Director effective January 1, 2015. To support an orderly transition, Mr. Blouin remained the Chief Executive Officer and a director until his retirement on December 31, 2014. The succession process is described in more detail under the heading **Executive and CEO Succession Planning**.

Mr. Forbes is a proven business leader who has brought a fresh strategic perspective to a variety of industry settings to create immediate, lasting value for customers, employees and investors. Prior to joining the Company, he has served as President & CEO of information services provider Teranet, President of Ingram Micro's European, Middle Eastern and African operations and President & CEO of a leading telecommunications company, Aliant. He has also served as Chief Financial Officer in publicly-traded telecommunications, real estate and energy companies.

Mr. Forbes has extensive experience with public-company and not-for-profit boards. He has served on the Board of Directors of Aliant Inc. and Stratos Global Corporation. He has also held positions on numerous not-for-profit Boards including The Shaw Festival, the Conference Board of Canada, the Atlantic Provinces Economic Council, Dalhousie University, and the Art Gallery of Nova Scotia.

Mr. Forbes received his Commerce Degree from Dalhousie University in 1983 and subsequently attained his Chartered Accountancy designation in 1986 with Grant Thornton and has gone on to complete the Centre for Creative Leadership Strategic Leadership Program, the Canadian Securities Course, Duke University's Strategic Financial Management program, Harvard University's Strategic Elements of Financial Management program and - most recently - the Institute of Corporate Director's program. Mr. Forbes is a member of the Canadian, Nova Scotia and Ontario Institutes of Chartered Accountants, and serves as a mentor to young technology entrepreneurs.

The key terms of Mr. Forbes' employment agreement are described under the heading **Employment Arrangements, Termination and Change of Control Benefits.**

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 2014 by the HRCC.

AGENDA ITEMS	FEBRUARY 2014	MARCH 2014	JUNE 2014	JULY 2014	SEPTEMBER 2014	NOVEMBER 2014	DECEMBER 2014
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 & INDEPENDENT COUNSEL

Hugessen has been the advisor on executive compensation and governance issues to the HRCC since September 2013. Prior to that the HRCC had engaged Mercer since 1997 as its advisor. Management had also utilized the services of Mercer, although approximately 50% to 75% of these services had usually been used for the Board of Directors and the HRCC. Hugessen is entirely independent from management.

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

ACTIVITY	YEAR	CONSULTANT	FEE	PERCENTAGE OF TOTAL ANNUAL FEE
Executive Compensation-Related Fees	2014	Hugessen	$223,133	100%
	2013	Hugessen	$38,090	100%
		Mercer	$36,592	100%
All Other Fees	2014	Hugessen	$0	0%
	2013	Hugessen	$0	0%
		Mercer	$0	0%

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.

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.
ATCO Ltd.
BCE Inc.
Bell Aliant Inc.
Cameco Corp.
Cogeco Inc.
CORUS Entertainment Inc.

Emera Inc.
Fortis Inc.
Gaz Metropolitan
Hudbay Minerals Inc.
IGM Financial Inc.
Methanex Corp.
North West Company Inc.
Precision Drilling Corp.

Rogers Communications Inc.
Shaw Communications Inc.
TELUS Corp.
Torstar Corp.
Transcontinental Inc.
WestJet Airlines Ltd.
Yellow Media Inc.

*As at December 31, 2014 certain of these companies no longer exist, but did at the time of the relevant benchmarking process.

To ensure that the Comparator Group benchmarks against like-sized companies, the largest three (BCE Inc., Rogers Communications Inc. and TELUS Corp.) and smallest three companies (Astral Media Inc., CORUS Entertainment Inc. and Hudbay Minerals Inc.) 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 (unless otherwise noted):

PRIMARY COMPARATOR GROUP	Operating Revenue	Share Price Dec. 31, 2014	Market Capitalization	Range of Assets	EBITDA	FCF
ATCO Ltd.	4,554.0	47.66	5,487.6	17,689.0	1,887.0	(518.0)
Cameco Corp.	2,397.5	19.05	7,539.9	8,472.7	377.3	0.1
Cogeco Inc. (August)	2,096.0	61.32	864.1	5,367.7	908.3	359.2
Emera Inc.	2,971.9	38.64	5,555.7	9,844.4	1,008.8	333.4
Fortis Inc.	5,401.0	38.96	10,752.8	26,628.0	1,680.0	(743.0)
IGM Financial Inc.	2,738.7	46.31	11,645.6	14,417.2	868.5	n.a.
Methanex Corp. (USD)	3,223.4	45.95	4,242.3	4,775.3	839.6	143.0
North West Company Inc. (January)	1,543.1	26.2	1,231.0	670.5	138.3	40.4
Precision Drilling Corp.	2,350.5	7.06	2,201.9	5,309.0	800.4	(303.2)
Shaw Communications (August)	5,241.0	31.36	12,654.9	13,250.0	2,207.0	708.0
Torstar Corp.	858.1	6.52	523.4	1,143.5	92.1	42.4
Transcontinental Inc. (October)	2,069.4	16.56	1,200.8	2,027.7	388.0	299.5
WestJet Airlines Ltd.	3,976.6	33.36	4,259.8	4,646.4	702.2	(208.7)
Yellow Media Inc.	877.5	19.58	547.8	1,749.6	316.0	141.7
Average	**2,878.5**		**4,907.7**	**8,285.1**	**872.4**	**22.7**
MTS	**1,612.0**	**27.09**	**2,116.4**	**2,688.0**	**565.9**	**154.5**

SECONDARY COMPARATOR GROUP	Operating Revenue	Share Price Dec. 31, 2014	Market Capitalization	Range of Assets	EBITDA	FCF
BCE Inc.	21,042.0	53.28	44,771.2	46,297.0	8,303.0	2,524.0
CORUS Entertainment Inc. (August)	833.0	22.95	2,096.9	2,784.6	287.7	182.5
HudBay Minerals Inc.	560.0	10.12	2,364.2	5,627.5	57.1	(690.5)
Rogers Communications	12,850.0	45.17	23,251.1	26,522.0	5,048.0	1,332.0
TELUS Corp.	12,002.0	41.89	25,512.0	23,217.0	4,216.0	1,034.0
AVERAGE	**9,457.4**		**19,599.1**	**20,889.6**	**3,582.4**	**876.4**

Source: Bloomberg

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 paid to attract talent and 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 2014. The Company believes that the use of financial targets such as free cash flow, EBITDA, business unit revenue 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.

* Stock options have not been issued to executives since 2012.

For 2014, VPP was calculated as follows:

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

VPP Target depends on the individual's role / experience (30% - 85% of annual base salary)

FINANCIAL FACTORS

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

Payout ranges from 0% to a maximum of 150% of individual VPP target (200% for former 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

Longer-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 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.

For 2014, the value of realized PSUs was calculated as follows:

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

- For 2014, the Board approved PSU performance objectives in relation to operating cost reductions, MTS growth products revenue, Allstream IP revenue growth, and relative Total Shareholder Return (TSR).

RSUs

Longer-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 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.

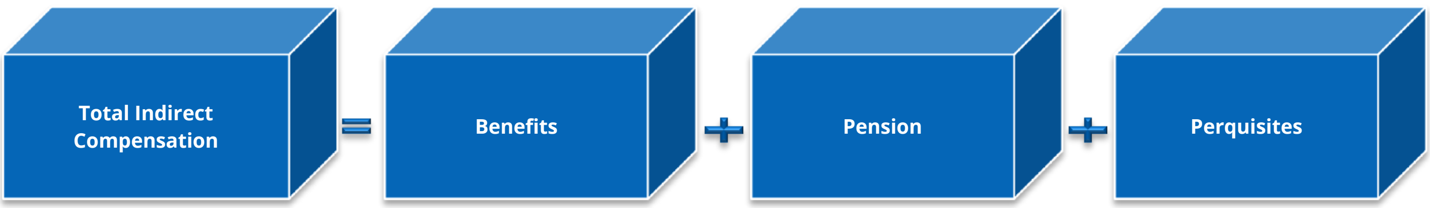
For 2014, the value of realized RSUs was calculated as follows:

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

We have not issued stock options in three 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.

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.

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, in accordance with our guidelines as a percentage of salary, subject to maximum limits. In 2013 and 2014, the CEO was provided with an annual flexible spending allowance of up to $76,500, being 9% of his base salary. The 2014 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. At the time of grant of RSUs, PSUs or Stock Options (if applicable), the Board considers a range of factors including performance, previous grants and other factors. Typically these awards are finally determined as a percentage of base salary.

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 & 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.

For Mr. Forbes, on or before December 31, 2019, the CEO shall acquire, maintain and retain ownership in the Common Shares having a value of not less than 400% of the CEO's Base Salary on December 31, 2019, determined in accordance with the Company's Share Ownership Guidelines, as amended from time to time. Such Common Shares may include (a) all RSUs and (b) all PSUs which have met the performance objectives in the PSU grants and are only subject to time-vesting. In addition, the CEO is required to retain ownership in the form of Common Shares having a value of at least twenty five percent of: (a) the net after-tax value of all RSU and PSU payments; and (b) the difference between (i) the after tax proceeds from the sale of any Common Shares as a result of the exercise of any Stock Options and (ii) the purchase price paid to purchase such Common Shares at the exercise price of such Stock Options. Finally, the CEO shall not, without the prior approval of the Board: (a) for so long as the CEO remains the CEO of the Company, sell any Common Shares; and (b) during the period of twelve months following the termination of the CEO's employment, sell any Common Shares acquired by the CEO under the previous sentence.

Our new CEO has a 4X ownership requirement.

In order to ensure the efficacy of the minimum share ownership policy for executives, the Company also ensures its executives 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.

The following sets out the minimum share ownership guidelines for our 2014 NEOs.

Executive	Multiple of Base Salary	Guideline Ownership by Year 2015(1) $	Deemed Value at Year End 2014(2) $
Pierre J. Blouin	3X	2,550,000	7,562,881
Wayne S. Demkey	2X	966,200	2,365,295
Kelvin A. Shepherd	2X	1,017,600	2,427,390
Michael R. Strople	2X	700,000	1,038,988
Paul A. Beauregard	1.5X	573,750	1,117,105

(1) The amounts shown are calculated by multiplying the annual base salary earned by each NEO in 2014 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, 2014 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, 2014, which was $27.18; and

ii) PSUs and RSUs– by multiplying the PSUs and RSUs held by each NEO as at December 31, 2014 by the weighted average of the trading prices of the Common Shares on the five consecutive trading days preceding December 31, 2014, which was $27.18. 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 18, 2015, 85% of our executives have achieved their respective share ownership requirements and those who have not yet done so 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.

We encourage equity ownership!

RISK ASSESSMENT & 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:

- We introduced clawbacks and post-retirement hold periods.

- 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.

- 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 new CEO's obligation to hold shares until twelve months after his retirement, 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 external audits, by both 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.

2014 PERFORMANCE & RESULTS

2014 PERFORMANCE MEASURES

When describing the specific implementation of our compensation program in 2014, we start by discussing our "performance measures". Two 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 and (b) our PSUs include cost reductions, growth product revenue and Relative TSR. Below is a 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., one-year) time horizon, whereas for PSUs we select performance factors that are more aligned to a longer (e.g., three-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 2014 RESULTS

MTS Allstream is a strong proponent of **pay-for-performance** and believes in the alignment of executive compensation with the operational and financial success of the Company, and its shareholders. In 2015, this alignment will continue with those that contribute to this success being properly rewarded for their efforts. Given the transition in leadership and the resulting refresh of the strategic plans, 2015 objectives and measures will be redeveloped coinciding with the creation of the refreshed strategy.

2014 VPP MEASURES

PERFORMANCE MEASURE	OBJECTIVES *Threshold* **TARGET** *Stretch*	ACTUAL RESULTS	PAYOUT RESULTS AS % OF TARGET	WHY WE CHOOSE THIS	COMMENTARY
ALLSTREAM IP REVENUE	*$245.1M* **$272.4M** *$299.6M*	**$261.3M**	**79.7%**	**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.	Up from 2013, building on the momentum of sales efforts and installation progress. However, results were short of plans.
MTS REVENUE	*$922.8M* **$1,025.4M** *$1,127.9M*	**$1,001.8M**	**88.5%**	**REVENUE** reflects the overall ability of MTS to find customers who are willing to buy the Company's services, which in turn is reflective as to how effectively the Company is able to operate, sell and remain relevant to its customers. Managing revenues reflect not only capitalizing on growth opportunities, but prudently and effectively managing our portfolio of legacy services.	Strong revenue growth from wireless data, converged IP, broadband, and EPIC Information Solutions were insufficient to offset legacy revenue declines, and the loss of wireless wholesale revenues
EBITDA	**MTS:** *$439.2M* **$488.0M** *$536.8M* **ALLSTREAM:** *$102.0M* **$113.4M** *$124.7M*	**$471.4M** **$100.1M**	**83%** **0%**	**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.	At MTS, EBITDA was short of plan mainly due to transaction and restructuring costs in 2013 and 4.9% growth in revenues from strategic lines of business in 2014. EBITDA at Allstream did not meet expectations.
FREE CASH FLOW*	**MTS:** *$125.1M* **$139.0M** *$152.9M* **ALLSTREAM:** *$5.8M* **$10.8M** *$15.8M*	**$136.7M** **$0.1M**	**91.7%** **0%**	**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.	At MTS, up from 2013 mainly due to increased EBITDA, lower finance costs and lower capital expenditures. Free cash flow at Allstream did not meet expectations.
CUSTOMER SATISFACTION	**MTS:** *-12* **-7** *-4* **ALLSTREAM:** *78%* **83%** *87%*	**-8** **86.2%**	**90.0%** **140.0%**	**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. Details on measurement are provided on page 62.	Up from 2013, Allstream exceeded its customer satisfaction objective at 86.2% ACV while MTS improved its net promoter score to -8. **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 62.

2014 PSU MEASURES

PERFORMANCE MEASURE	OBJECTIVES *Threshold* TARGET *Stretch*	ACTUAL RESULTS	PAYOUT RESULTS AS % OF TARGET	WHY WE CHOOSE THIS	COMMENTARY
MTS GROWTH PRODUCT REVENUE	*$652.1M* **$686.4M** *$720.7M*	**$666.9M**	**71.6%**	**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.	MTS delivered overall growth in revenues from strategic services (wireless, broadband and converged IP and information solutions), up 3.6% over 2013. Internet and IPTV segments are performing well, providing solid growth in both subscribers and revenues. MTS has performed well in its wireless business with 1.0% growth in subscribers, maintaining its market share in a competitive four-player wireless market.
ALLSTREAM IP REVENUE	*$258.7M* **$272.4M** *$286.0M*	**$261.3M**	**59.5%**	**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.	Up from 2013, building on the momentum of sales efforts and installation progress. However results were short of plans.
RELATIVE TOTAL SHAREHOLDER RETURN	*-P50 - 15%* *(-1.8%)* **50th Percentile** **(13.2%)** *P 50 +15%* *(28.2%)*	**-0.5%**	**54.3%**	**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, and then the Company's TSR is compared to this basket at the end of the applicable measurement period.	Our shareholders did not experience a strong return and this threshold was barely achieved.
OPERATING COST REDUCTIONS	*$22.6M* **$27.6M** *$32.6M*	**$28.9M**	**113.0%**	**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.	$28.9 million in 2014 resulting from operational efficiency initiatives, meeting the Company's annual target range of $20 million to $30 million.

DETERMINATION OF RELATIVE TOTAL SHAREHOLDER RETURN

We calculate our Relative TSR performance using the following formula:

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

Our 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 2014

For the 2014 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 Inc.
- Shaw Communications Inc.
- TELUS Corp.
- TransAlta Corp.
- Yellow Media Inc.
- Valener Inc.

* The privatization of Bell Aliant Inc. did not impact payout.

DETERMINATION OF CUSTOMER SATISFACTION LEVELS

In 2014, customer satisfaction was significantly simplified. For MTS, we moved to tracking a standardized "Net Promoter Score" (NPS) that follows a methodology that is well understood across various industries. MTS' score was blend of both consumer and business NPS results. The objectives set for MTS were based on MTS improving year-over-year its own NPS score on an absolute basis, with challenging improvements required in order to even achieve threshold. While the Company and the Board does monitor the NPS scores of its industry peers, the relative performance of MTS against its peers was seen as less important as an absolute improvement. For Allstream, which already enjoys a high NPS score, we use the Customer Value Metric (CVM) program – a telephone survey management process conducted by an independent market research company. Each quarter, customer and non-customer qualified contacts rate their service provider on measures across customer experience. Although relative measurements are available, Allstream's objectives were set on an absolute basis without reference to the performance of its competitors – so that it would not benefit from poor performance by its industry peers.

ADJUSTMENT TO FREE CASH FLOW RESULTS

In determining the results under the Company's 2014 VPP plan, the Board exercised its discretion to adjust the result in a manner that was **adverse to management**. In 2014, the Company received a recovery of a $23.6 million Scientific Research & Experimental Development (SR&ED) tax credit, pertaining to capital spend programs in 2008 – 2011. This recovery was as a result of significant work by management, although it was not included in the 2014 budget. If the entirety of this recovery had been included in MTS' Free Cash Flow results, MTS payouts would have exceeded 100% (although would not have impacted Allstream's results). Therefore, after reviewing the issue with its independent compensation consultant and with the support of management, it was decided that all but 25% of the SR&ED tax recovery was removed from the Free Cash Flow VPP result, on the theory that management could benefit from one year worth of the recovery, but not all four.

IMPACT OF PERFORMANCE ON VPP AWARDS

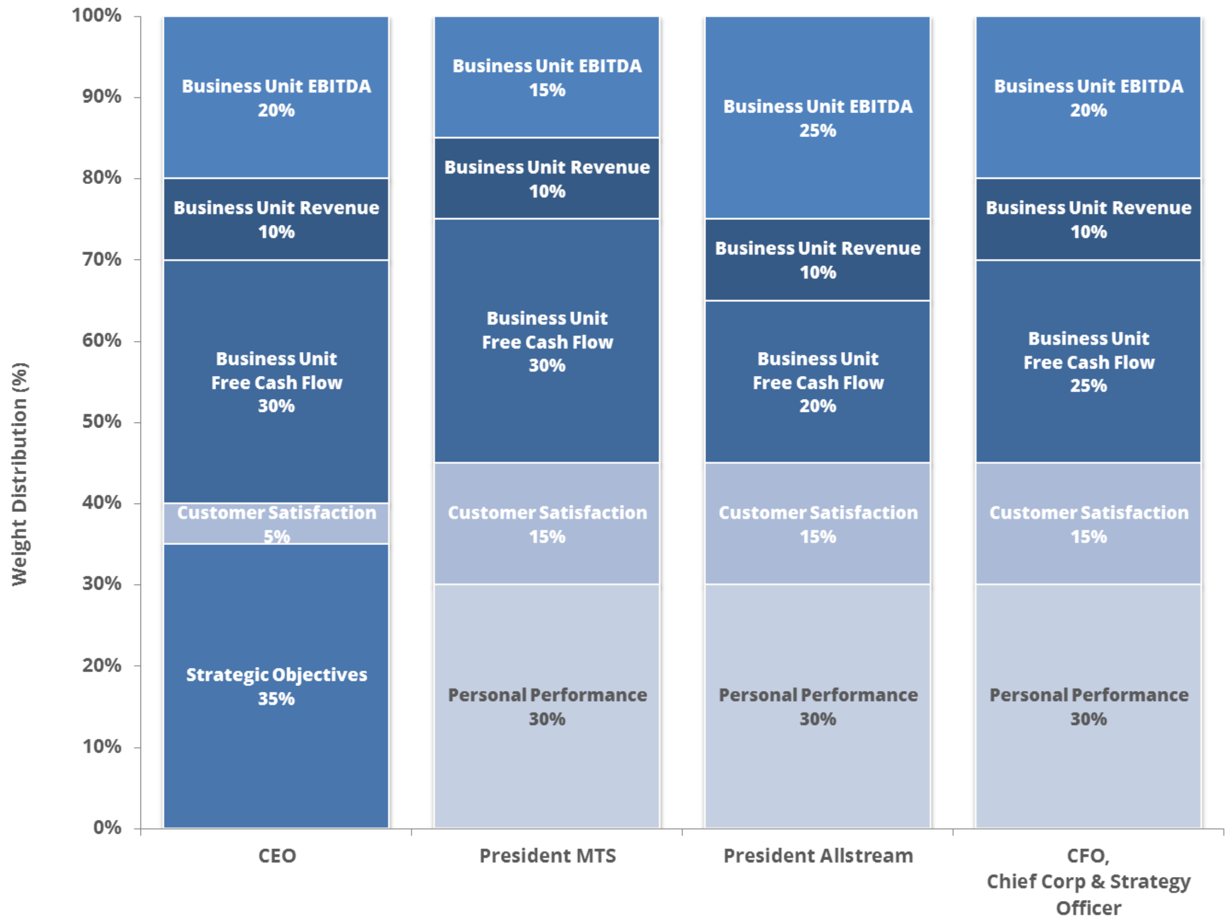
Our NEOs performance ratings on their personal and financial 2014 objectives varied from partially meeting to exceeding their targets. Their performance is generally consistent with the performance of the Company's employee base during the same period. Both personal and financial ratings resulted in total VPP payouts for NEOs ranging from 56% to 95% of targets for 2014.

The following tables and bar chart outline the 2014 VPP target, maximum and business performance weightings for each of the NEOs as well as the payout in 2014.

2014 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%	55%	15%	30%
Kelvin A. Shepherd	32.5%	65%	97.5%	55%	15%	30%
Michael R. Strople	32.5%	65%	97.5%	55%	15%	30%
Paul A. Beauregard	25%	50%	75%	55%	15%	30%

2014 VPP DISTRIBUTION



2014 VPP PAYOUTS

NEO	Target VPP Payout in 2014 ($)	Actual VPP Payout in 2014 ($)	Actual VPP Payout in 2013 ($)
Pierre J. Blouin	722,500	521,790	667,951
Wayne S. Demkey	289,860	228,094	228,061
Kelvin A. Shepherd	330,720	315,243	291,587
Michael R. Strople	227,500	127,332	78,817
Paul A. Beauregard	191,250	173,388	142,543

More details in respect of the specific calculations of each such VPP payment are both earlier under “2014 VPP Measures” as well as later, when we profile the 2014 performance of each NEO.

IMPACT OF PERFORMANCE ON PSU AWARDS

THREE-YEAR OVERVIEW

Our PSU plan has successfully tied pay to performance and aligns management interests with the interests of shareholders.

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 it did not achieve the mid-point of these ranges. However, at the same time, the Company did deliver more than 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%, reflecting 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.

VESTING OF 2014 PSUs

The following table compares the pre-determined financial targets of the PSUs granted for 2014 against the actual financial results achieved in this period. These PSUs have a three-year performance period, so final results will be known after the end of the next two one-year performance periods.

METRIC: Operating Cost Reductions Target = $27.6M Weight= 20%	METRIC: MTS Growth Product Revenue(1) Target = $686.4M Weight= 25%	METRIC: Allstream IP Revenue Growth(1) Target = $272.4M Weight = 25%	METRIC: Relative TSR Target = 50th percentile Weight = 30%	Overall Vesting Level Achieved
Result = $28.9M Percentage of Target = 104.7% Percentage Payout = 22.6% of 20%	Result = $666.9M Percentage of Target = 97.1% Percentage Payout(1) = 35.8% of 50%	Result = $261.3M Percentage of Target = 95.9% Percentage Payout(1) = 29.7% of 50%	Result = -0.5% Just Above Threshold Percentage Payout = 16.3% of 30%	Corporate = 71.6% out of 100% MTS = 74.7% out of 100% Allstream = 68.6% of 100%

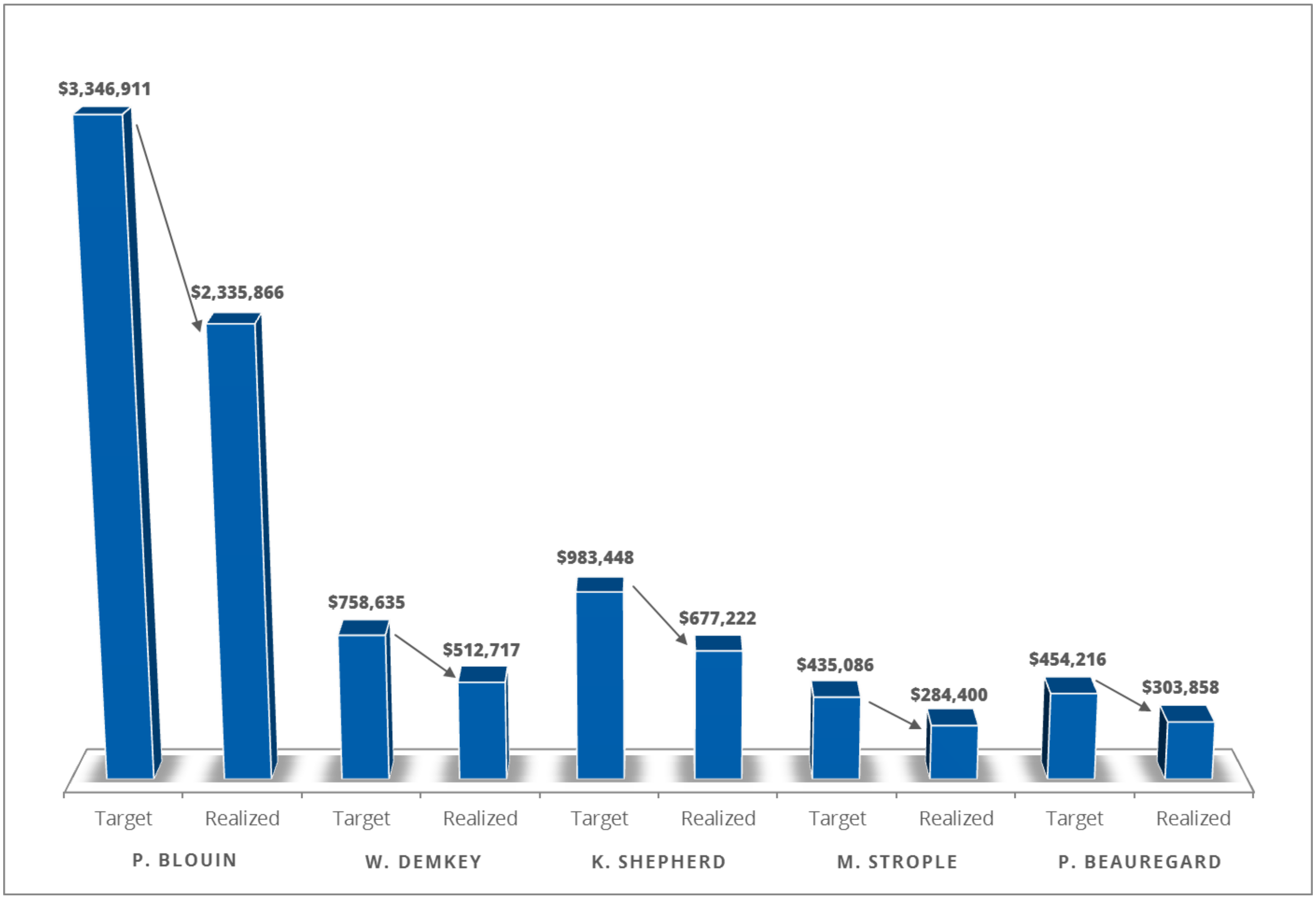
(1) Employees falling under the corporate umbrella take 25%, not 50%, payout from each of MTS Revenue and Allstream IP Revenue Growth.

Performance in 2014 did not fully meet expectations and as a result only ~70% of the performance factors in 2014 were achieved. The final vesting percentage of the 2014 PSUs will be known after the 2015 and 2016 performance factors are established by the Board and performance against these performance factors are determined.

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 years on realized PSU values.

3-YEAR PSU TARGET(1) V. REALIZED(2) PER NEO | 2012 – 2014



In the above graph, we see that the "realized" value of the PSUs is lower than the "target" value, largely driven by lower performance factors (generally in the "90% range" for 2012, 55% in 2013 and between 69% and 75% in 2014), offset in part by a share price that has not significantly 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 years. The market value is equal to the weighted average of the trading prices of the Common Shares on the five consecutive trading days preceding the grant date. The market values used in the calculation of the Target PSUs are: 2014: $29.84; 2013: $32.51 and $35.63; and 2012: $32.36.

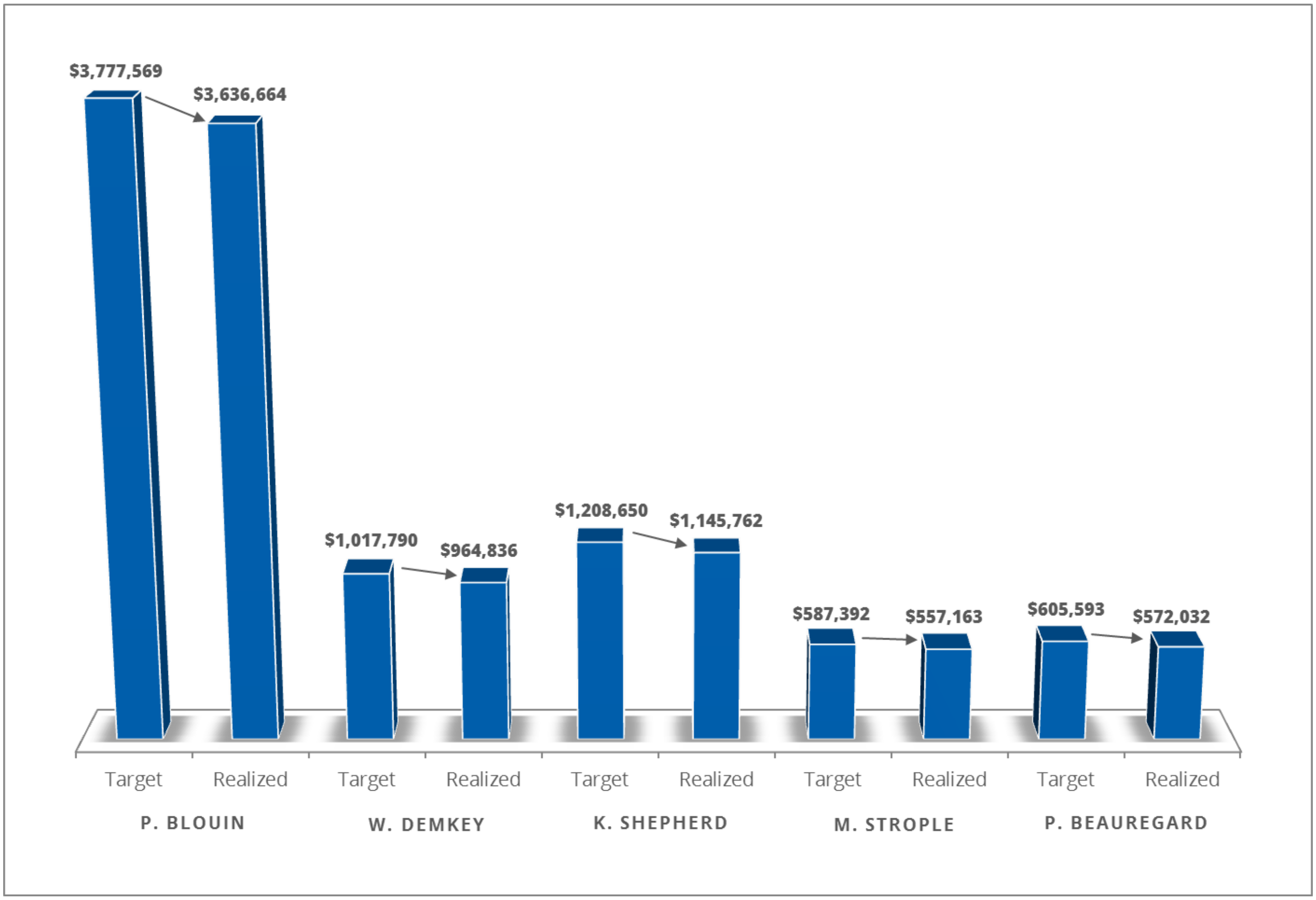
(2) The value of the Realized PSUs is calculated by multiplying the number of PSUs held as of December 31, 2014 by the PSU Performance Factor pertaining to each respective grant and then multiplying the product by the weighted average of the trading prices of the Common Shares of the Company on the five consecutive trading days preceding December 31, 2014, which was $27.18. For the CEO only, the value of the Realized PSUs reflects the sum of the actual dollar values paid out in respect of vested 2012 and 2013 grants plus the value of the 2014 grant (calculated as above) before pro-ration.

IMPACT OF PERFORMANCE ON RSU AWARDS

As RSUs do not carry performance vesting conditions, the RSUs granted in 2012, 2013 and 2014, 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 years on realized RSU values.

3-YEAR RSU TARGET(1) V. REALIZED(2) PER NEO | 2012 – 2014



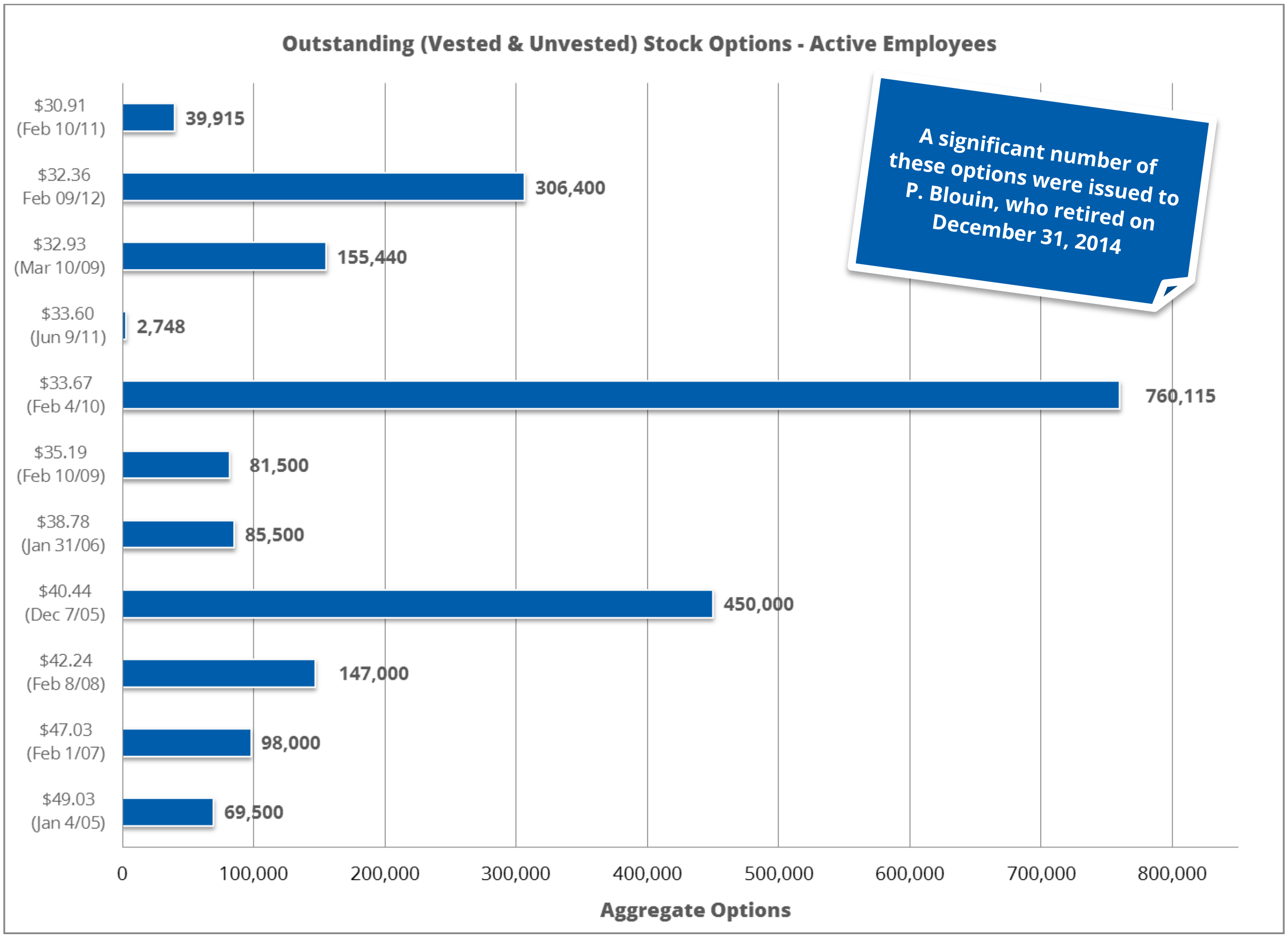
In the above graph, we see that the "realized" value of the RSUs is generally flat with the "target" value, as the notional dividends were accrued on RSU units during this period, and this has not fully-offset a decrease in share price over this time period.

(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 years. The market value is equal to the weighted average of the trading prices of the Common Shares on the five consecutive trading days preceding the grant date. The market values used in the calculation of the Target RSUs are: 2014: $29.84; 2013: $32.51; and 2012: $32.36.

(2) The value of the Realized RSUs is calculated by multiplying the number of RSUs held as of December 31, 2014 by the weighted average of the trading prices of the Common Shares of the Company on the five consecutive trading days preceding December 31, 2014, which was $27.18. For the CEO only, the value of the Realized RSUs reflects the sum of the actual dollar values paid out in respect of vested 2012 and 2013 grants plus the value of the 2014 grant (calculated as above) before pro-ration.

IMPACT OF PERFORMANCE ON STOCK OPTION AWARDS

The overall distribution of the stock options issued to active employees (including executives) as of December 31, 2014 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, 2014, 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 consecutive trading days preceding December 31, 2014 (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 & COMPENSATION

HIGHLIGHTS OF OUR NEO'S COMPENSATION IN 2014

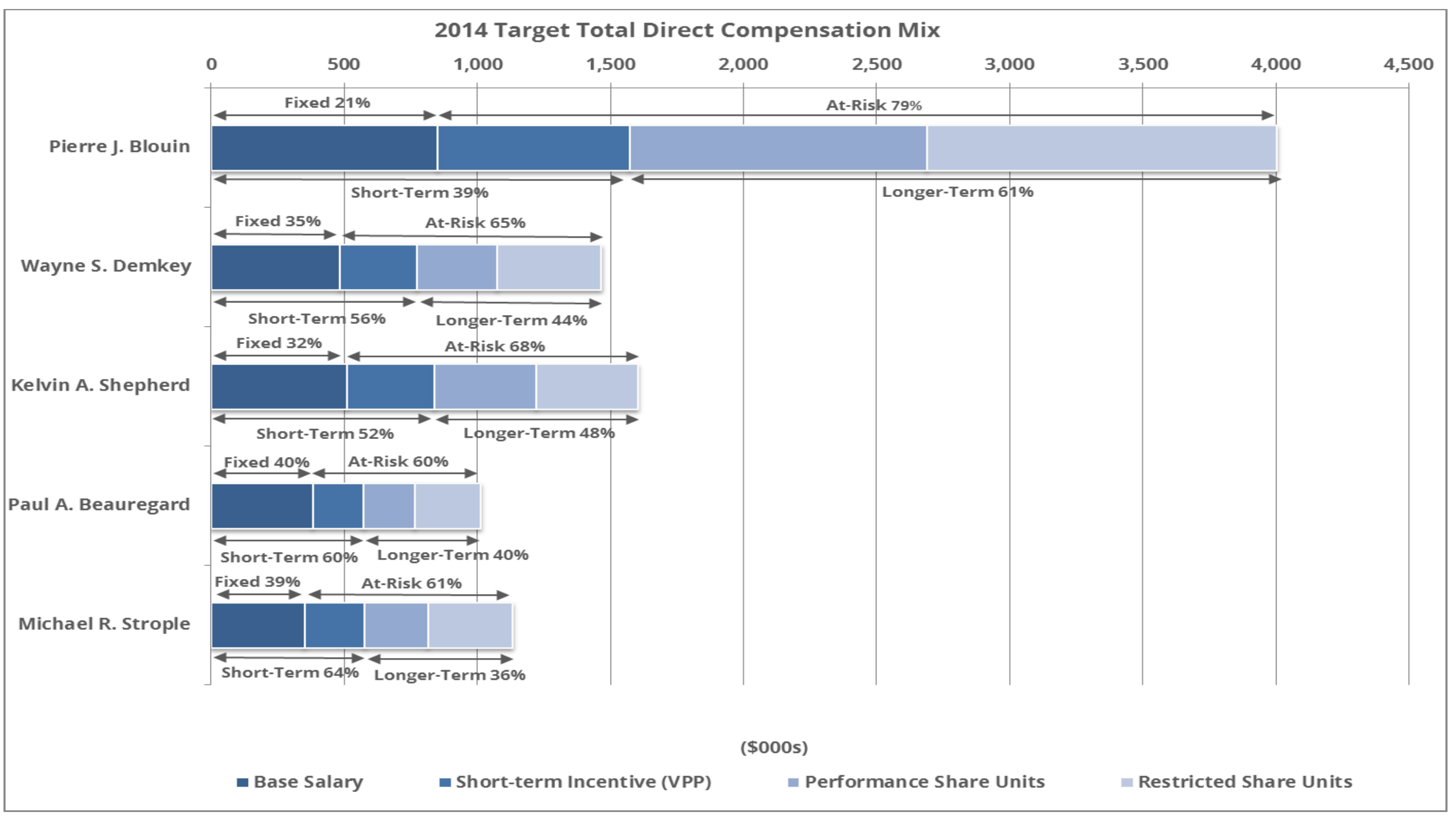
- ☑ In 2014, average total compensation levels for our NEOs (excluding the CEO's termination payment) increased by 6.8% over 2013, largely attributable to the assumption of significantly greater accountabilities by two NEOs as a result of the elimination of three Executive Committee roles. Excluding these two NEOs, average total compensation levels increased by only 1.8% and average base salaries increased by 1.3%.
- ☑ NEOs have 60% to 79% 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 2014, we did not deliver all of the results in our plan, producing short-term incentive payouts averaging 78% of target and Performance Share Unit performance factors of between 68% and 74% of target.
- ☑ The 2012 grant of Performance Share Units paid out in 2014 with a performance factor of 92% of target.
- ☑ Share Units granted between 2012-2014 at initial prices of between $29.84 and 35.63 are valued at $27.18 at 2014 year-end, further decreasing our executives' realized or realizable pay below target levels.

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 2014.

TOTAL COMPENSATION OF NEOS

NEO COMPENSATION MIX

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



DETERMINATION OF INDIVIDUAL COMPENSATION

ALL NEOS

The HRCC reviewed each of the NEO's personal performance in 2014. Details in respect of the calculations of their personal objectives, weightings and results of their 2014 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. 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

The following table sets out the total compensation paid to, or earned by, each NEO for the year-end of each of the three 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[7] Chief Executive Officer	2014	850,000	1,115,628	1,315,633	450,000	0	521.790	0	3,529,190[5]	7,782,241
	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
Wayne S. Demkey Chief Financial Officer	2014	483,100	301,951	391,352	-	0	228,004	169,000	43,500	1,616,907
	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
Kelvin A. Shepherd President MTS	2014	508,800	381,624	381,624	-	0	315,243	130,000	45,000	1,762,291
	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
Michael R. Strople President Allstream	2014	350,000	236,282	318,252	-	0	127,332	70,176	31,500	1,133,542
	2013	278,600	123,794	151,285	-	0	78,817	62,086	25,100	719,682
	2012	267,800	75,010	117,855	-	21,434	145,483	52,413	24,200	704,195
Paul A. Beauregard Chief Corporate & Strategy Officer and Corporate Secretary	2014	382,500	191,274	247,165	-	0	173,388	85,000	30,000	1,109,327
	2013	348,384	156,801	191,652	-	0	142,543	162,000	30,000	1,031,373
	2012	303,200	106,141	166,783	-	30,330	172,672	77,000	27,300	883,426

(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 consecutive trading days preceding the date of grant. A weighted average of five 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: 2014: $29.84; 2013: $32.51 and $35.63; and 2012: $32.36.

(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: 2014: N/A; 2013: N/A; and 2012: $2.78. 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. However, the Company has voluntarily disclosed such amounts in the interests of increasing transparency and full disclosure.

(5) Under his retirement arrangement, Mr. Blouin was entitled, upon his retirement, to a lump sum payment of $3,452,690, which was comprised of: (a) $1,700,000, being two times his annual base salary; (b) $1,549,690, being two times his VPP payouts (based on the average of the 2012 and 2013 VPP payments); and (c) $203,000, being two times his annual perquisites, plus $50,000 for re-location expenses and/or benefits continuance. In addition, Mr. Blouin was entitled to: (a) when 2014 VPP payments were made to the other NEOs, $521,790, being his 2014 VPP payment; and (b) when RSU and PSU payments are made to the other NEOs, $2,087,164, being the pro rata vesting of his 2014 RSUs and 2014 PSUs. These RSU and PSU payments are not included in the summary compensation table because they represent a subset of the actual 2014 grant and therefore to include them would be "double counting". There are also provisions relating to a supplemental award payment in the event that any sale of Allstream is announced and closed prior to September 30, 2015 that would supplement payments to P. Blouin to approximate "Change of Control" payments, though at the present time this is not expected to be applicable.

(6) 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 RSUs which, on vesting and after payment of taxes would need to be held in the form of Common Shares of the Company until retirement.

(7) Pierre J. Blouin retired as CEO on December 31, 2014.

PAY FOR PERFORMANCE

DETERMINATION OF "REALIZED" VERSUS "TARGET" COMPENSATION

In this Circular, 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, 2014, multiplied by the volume-weighted average price ("VWAP") (more specifically defined under the relevant PSU Plan) of the Common Shares measured for the five trading days preceding December 31, 2014 as calculated under the relevant PSU Plan ($27.18), after application of any applicable discount for the "performance factor" for the relevant grant (i.e., (a) 91.88% for 2012, (b) 55% for 2013, and (c) between 69% and 75% for 2014), 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, 2014 as calculated under the relevant RSU plan ($27.18), 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.

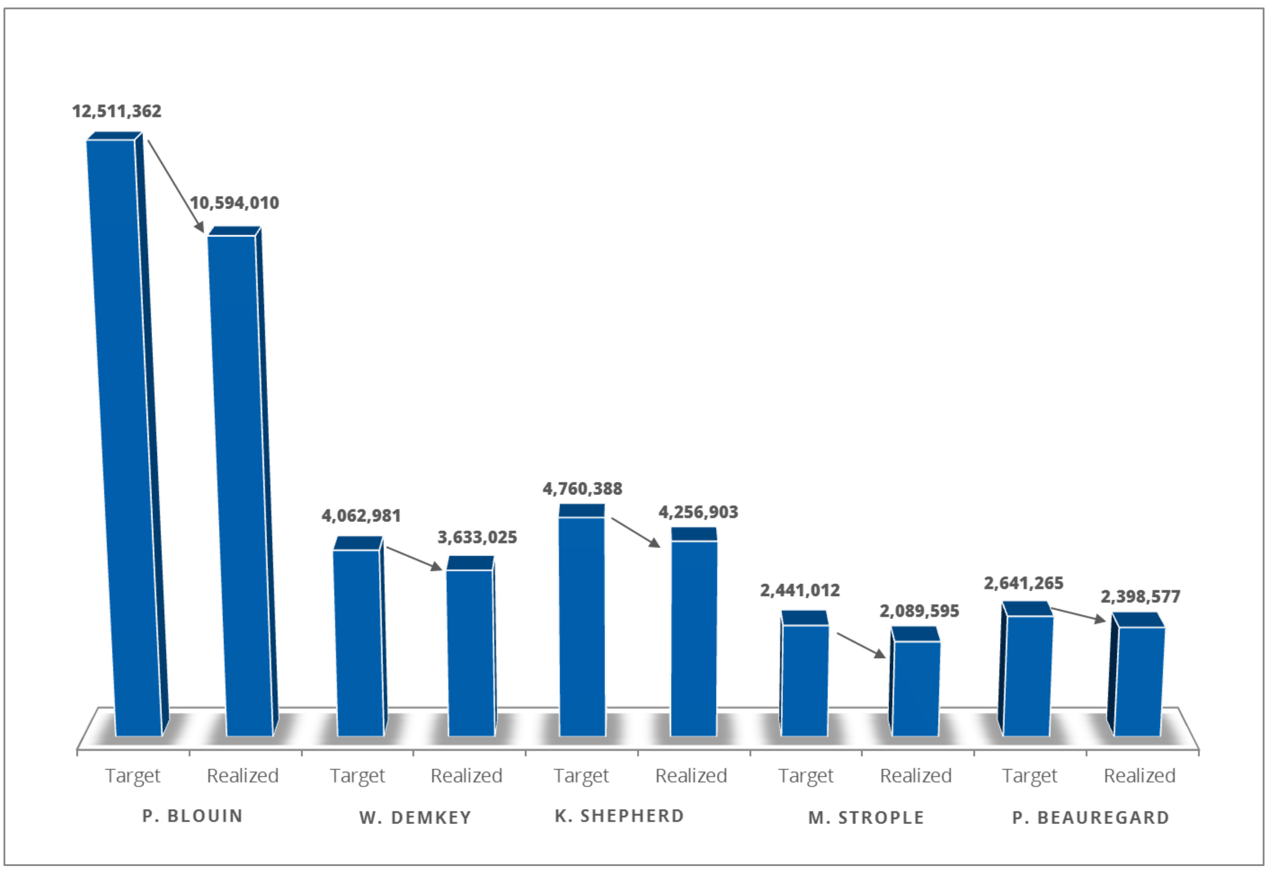
- **STOCK OPTION VALUE** – for each relevant year, we compared (a) the grant value of such stock options (measured using the Black-Scholes factors, which figures would be reflected in the Summary Compensation Table) against (b) the "in the money" value of all such options determined using the VWAP (more specifically defined under the relevant Stock Option Plan) of the Common Shares measured for the five trading days preceding December 31, 2014 as calculated under the relevant Stock Option Plan ($27.18), 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, 2013 VWAP of $29.06 to determine what was realized for 2012 and 2013. This year, for those same years, we use the new, lower VWAP of $27.18, which would cause the "realized" numbers to be restated downwards.

COMPARISON OF 'REALIZED' VERSUS 'TARGET' COMPENSATION

The Company's "at risk" pay structure works. 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 | 2012 – 2014



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, 2014.

OVERVIEW | PIERRE J. BLOUIN

Pierre J. Blouin
Chief Executive Officer
Winnipeg, Manitoba

Experience:
30 years in Telecom
10th year at MTS Allstream

Pierre J. Blouin retired on December 31, 2014. He 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.

VPP Target: Financial (65% Weight)

Specific financial metrics (including results as a percentage of the target) are described in detail under "2014 Performance Measures".

In 2014, Mr. Blouin's VPP financial targets paid out at 57.3%.

VPP Target: Personal & Strategic (35% Weight)

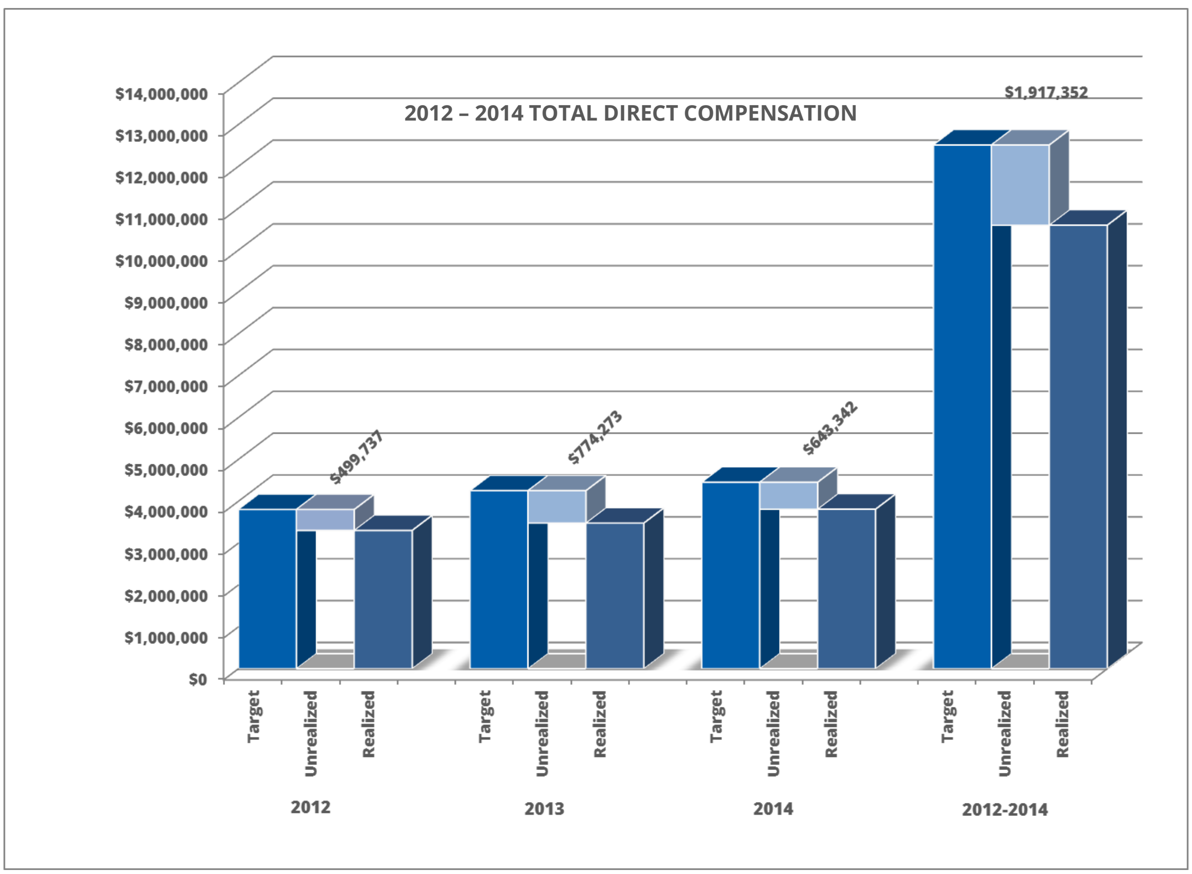
Mr. Blouin's personal and strategic objectives primarily involved strategies to increase long-term shareholder value and deliverables specific to the role of CEO, with the goal of ensuring corporate sustainability and competitiveness.

In 2014, Mr. Blouin's VPP personal & strategic targets paid out at 100% in accordance with his retirement agreement.

Overall Outcome

- ☑ VPP award was $521,790, representing 72% of his target VPP award.
- ☑ Other arrangements relating to Mr. Blouin's retirement are set forth in footnote 5 of the Summary Compensation Table.

Pierre J. Blouin Chief Executive Officer	Base Salary (Annualized)		Short-Term Incentive		Stock Option $ Value		Performance Share Units $ Value		Restricted Share Units $ Value		Total Direct Compensation		Percent Difference Between Target & Realized
	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	
2010-2014	4,174,000	4,174,000	3,547,900	3,671,911	1,869,383	0	4,784,720	3,857,794	4,602,785	4,508,378	18,978,789	16,212,083	-15%
2012-2014	2,550,000	2,550,000	2,167,500	2,071,480	669,382	0	3,346,911	2,335,866	3,777,569	3,636,664	12,511,362	10,594,010	-15%
2014	**850,000**	**850,000**	**722,500**	**521,790**	**0**	**0**	**1,115,628**	**760,117**	**1,765,633**	**1,678,511**	**4,453,761**	**3,810,419**	**-14%**
2013	850,000	850,000	722,500	667,951	0	0	1,338,762	710,069	1,342,537	1,251,506	4,253,799	3,479,526	-18%
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%



OVERVIEW | WAYNE S. DEMKEY

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.

Wayne S. Demkey
Chief Financial Officer
Winnipeg, Manitoba

Experience:
19 years in Telecom
19th year at MTS
Allstream

VPP Target: Financial (70% Weight)

Specific financial metrics (including results as a percentage of the target) are described in detail under "2014 Performance Measures".

In 2014, Mr. Demkey's VPP financial targets paid out at 65.2%.

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:

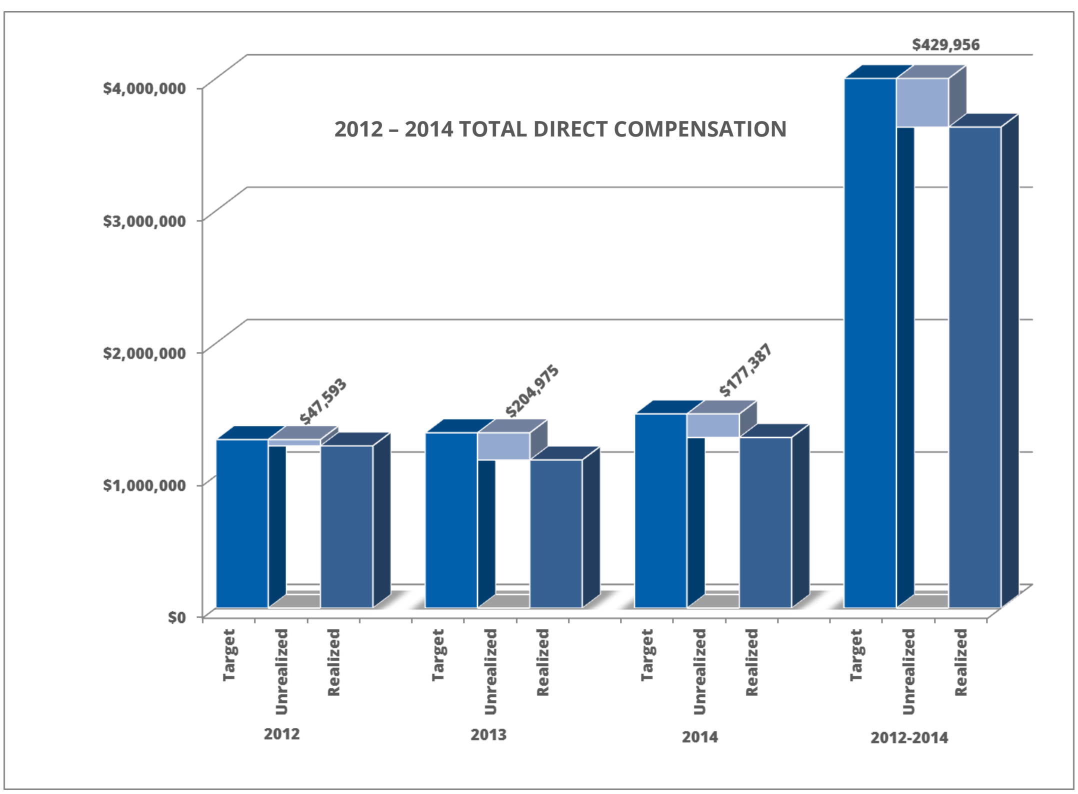
- ☑ Review finance organizational structure and identify potential opportunities for improved efficiencies and effectiveness.
- ☑ Ensure requirements for proper governance on financial services reporting and disclosures.
- ☑ Increase external marketing activities and attract new shareholders.
- ☑ As is the case with all NEOs, objectives were also linked to "employee engagement".

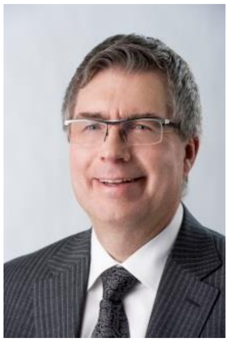
In 2014, Mr. Demkey's VPP personal & strategic targets paid out at 110%.

Overall Outcome

- ☑ VPP award was $228,004, representing 79% of his target VPP award.

Wayne S. Demkey Chief Financial Officer	Base Salary (Annualized)		Short-Term Incentive		Stock Option $ Value		Performance Share Units		Restricted Share Units $ Value		Total Direct Compensation		Percent Difference Between Target & Realized
	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	
2010-2014	2,224,500	2,224,500	1,334,700	1,297,837	171,336	0	1,162,630	941,906	1,652,604	1,692,600	6,545,770	6,156,843	-6%
2012-2014	1,394,200	1,394,200	836,520	761,272	55,836	0	758,635	512,717	1,017,790	964,836	4,062,981	3,633,025	-11%
2014	**483,100**	**483,100**	**289,860**	**228,004**	**0**	**0**	**301,951**	**205,730**	**391,352**	**372,041**	**1,466,263**	**1,288,875**	**-12%**
2013	464,500	464,500	278,700	228,061	0	0	261,294	132,310	319,374	294,022	1,323,868	1,118,893	-15%
2012	446,600	446,600	267,960	305,207	55,836	0	195,390	174,677	307,064	298,773	1,272,850	1,225,257	-4%
2011	425,300	425,300	255,180	310,988	56,700	0	198,473	200,434	311,851	349,769	1,247,504	1,286,491	3%
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%





Kelvin A. Shepherd
President, MTS
Winnipeg, Manitoba

Experience:
34 years in Telecom
15th year at MTS Allstream 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).

VPP Target: Financial (70% Weight)

Specific financial metrics (including results as a percentage of the target) are described in detail under "2014 Performance Measures".

In 2014, Mr. Shepherd's VPP financial targets paid out at 89%

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:

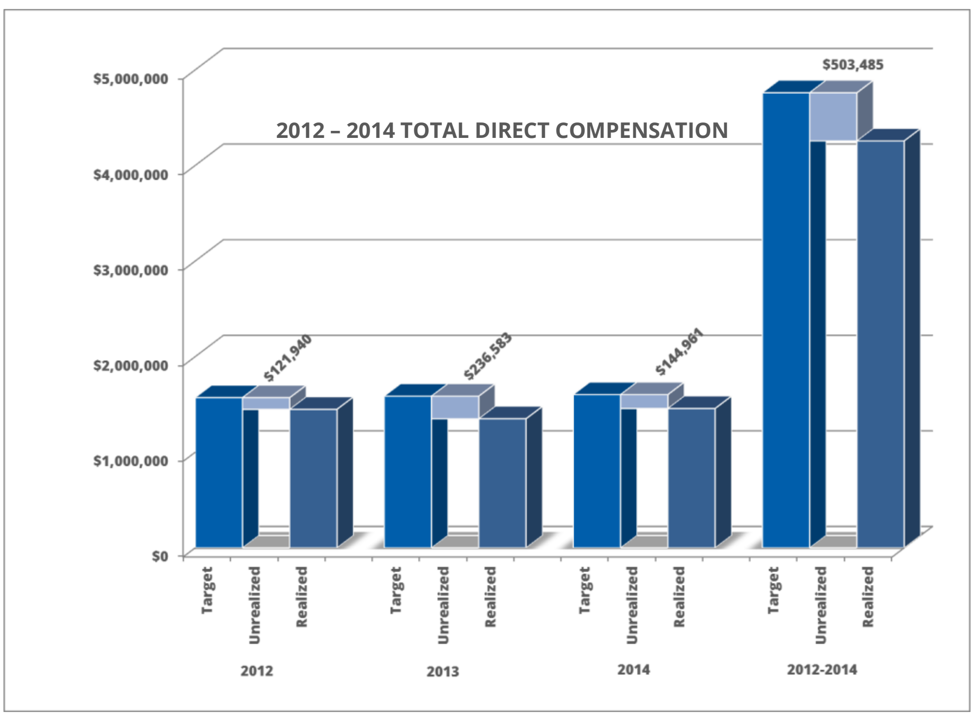
- ☑ Implement plans to increase self-serve efficiencies and a new retail approach.
- ☑ Improve strong MTS customer satisfaction levels.
- ☑ Deliver subscriber and ARPU growth for MTS strategic products.
- ☑ Prepare, plan and grow IT services for launch of new data centre in early 2015.
- ☑ As is the case with all NEOs, objectives were also linked to "employee engagement".

In 2014, Mr. Shepherd's VPP personal & strategic targets paid out at 110%.

Overall Outcome

- ☑ VPP award was $315,243, representing 95% of his target VPP award.

Kelvin A. Shepherd President MTS	Base Salary (Annualized)		Short-Term Incentive		Stock Option $ Value		Performance Share Units		Restricted Share Units $ Value		Total Direct Compensation		Percent Difference Between Target & Realized
	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	
2010-2014	2,465,300	2,465,300	1,602,445	1,565,624	218,835	0	1,487,419	1,211,943	2,000,563	2,053,122	7,774,562	7,295,989	-6%
2012-2014	1,511,200	1,511,200	982,280	922,719	74,810	0	983,448	677,222	1,208,650	1,145,762	4,760,388	4,256,903	-11%
2014	**508,800**	**508,800**	**330,720**	**315,243**	**0**	**0**	**381,624**	**270,970**	**381,624**	**362,793**	**1,602,768**	**1,457,807**	**-9%**
2013	503,700	503,700	327,405	291,587	0	0	339,999	172,182	415,569	382,620	1,586,673	1,350,090	-15%
2012	498,700	498,700	324,155	315,889	74,810	0	261,825	234,069	411,457	400,348	1,570,947	1,449,007	-8%
2011	484,100	484,100	314,665	381,091	72,625	0	254,173	256,684	399,388	447,950	1,524,951	1,569,825	3%
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%



OVERVIEW | MICHAEL R. STROPLE

Michael Strople has over two decades of experience in the telecommunications industry. He joined MTS Allstream in October 2005 and prior to being appointed President in January 2014, he was Chief Operating Officer of Allstream.

Mr. Strople has also served as the Chief Technology Officer for both Allstream and its Manitoba-based affiliate, MTS. Before joining MTS Allstream, he gained global experience at Nortel Networks serving large telecommunications providers in the areas of IP and wireless networking.

Mr. Strople is a licensed Professional Engineer and holds a Bachelor of Applied Science in Electrical Engineering with an Option in Management Science from the University of Waterloo. In addition to his role at Allstream, he also sits on the board of directors of the Metro Ethernet Forum (MEF) and the board of directors of the Liquor Control Board of Ontario (LCBO).

Michael R. Strople
President, Allstream
Toronto, Ontario

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

VPP Target: Financial (70% Weight)

Specific financial metrics (including results as a percentage of the target) are described in detail under “2014 Performance Measures”.

In 2014, Mr. Strople’s VPP financial targets paid out at 41.3%.

VPP Target: Personal & Strategic (30% Weight)

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

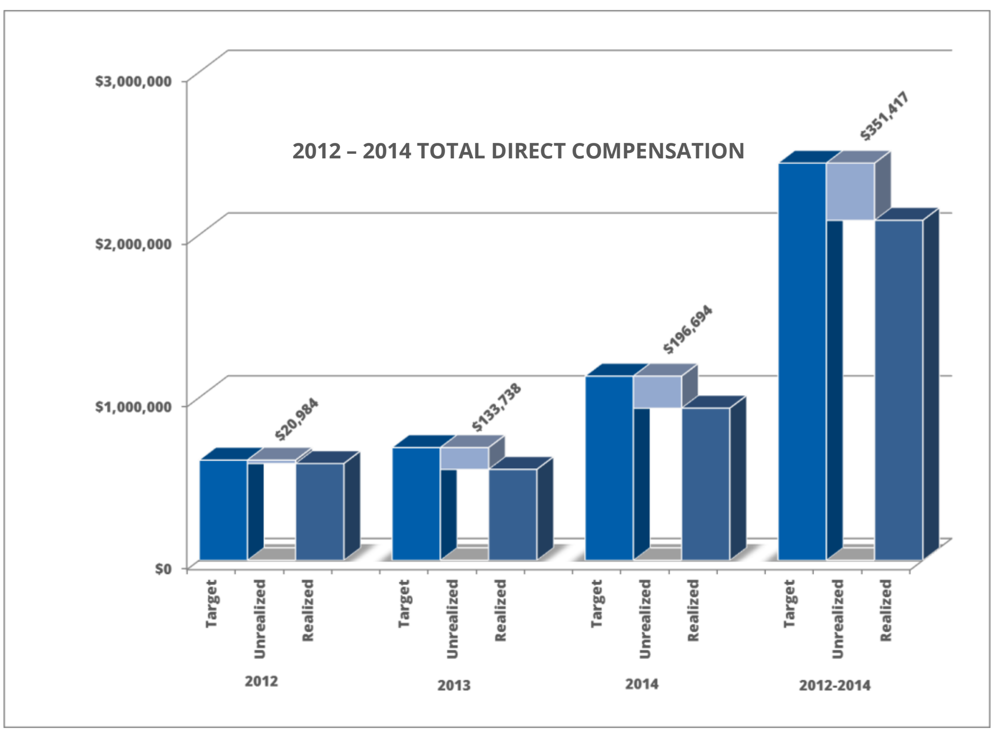
- ☑ Initiate and realize transformations to the Allstream business (BSS Transformation, Next Generation Data, cost savings and organizational changes).
- ☑ Continue implementation of IP Strategy of increasing number of “on net” buildings, preferred access and increase sales wins.
- ☑ Maintain Allstream’s customer satisfaction levels at a world class level.
- ☑ As is the case with all NEOs, objectives were also linked to “employee engagement”.

In 2014, Mr. Strople’s VPP personal & strategic targets paid out at 90%.

Overall Outcome

- ☑ VPP award was $127,332, representing 56% of his target VPP award.

Michael R. Strople President Allstream	Base Salary (Annualized)		Short-Term Incentive		Stock Option $ Value		Performance Share Units		Restricted Share Units $ Value		Total Direct Compensation		Percent Difference Between Target & Realized
	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	
2010-2014	1,331,400	1,331,400	674,700	543,860	21,434	0	530,209	384,799	736,912	748,010	3,294,655	3,008,069	-9%
2012-2014	896,400	896,400	500,700	351,632	21,434	0	435,086	284,400	587,392	557,163	2,441,012	2,089,595	-14%
2014	**350,000**	**350,000**	**227,500**	**127,332**	**0**	**0**	**236,282**	**154,701**	**318,252**	**303,306**	**1,132,034**	**935,340**	**-17%**
2013	278,600	278,600	139,300	78,817	0	0	123,794	62,640	151,285	139,184	692,979	559,241	-19%
2012	267,800	267,800	133,900	145,483	21,434	0	75,010	67,059	117,855	114,673	615,999	595,015	-3%
2011	225,000	225,000	90,000	117,191	0	0	53,103	53,628	79,655	109,077	447,758	504,896	13%
2010	210,000	210,000	84,000	75,037	0	0	42,020	46,770	69,865	81,770	405,885	413,578	2%



OVERVIEW | PAUL A. BEAUREGARD

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.

Prior 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. Mr. Beauregard holds a J.D. (LL.B.) from the University of Toronto, and a B.A. (Hons) from the University of Winnipeg.

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

Experience:
13 years in Telecom
6th year at MTS Allstream

VPP Target: Financial (70% Weight)

Specific financial metrics (including results as a percentage of the target) are described in detail under "2014 Performance Measures".

In 2014, Mr. Beauregard's VPP financial targets paid out at 65.2%.

VPP Target: Personal & Strategic (30% Weight)

Mr. Beauregard's personal and strategic objectives are primarily centered around various corporate goals:

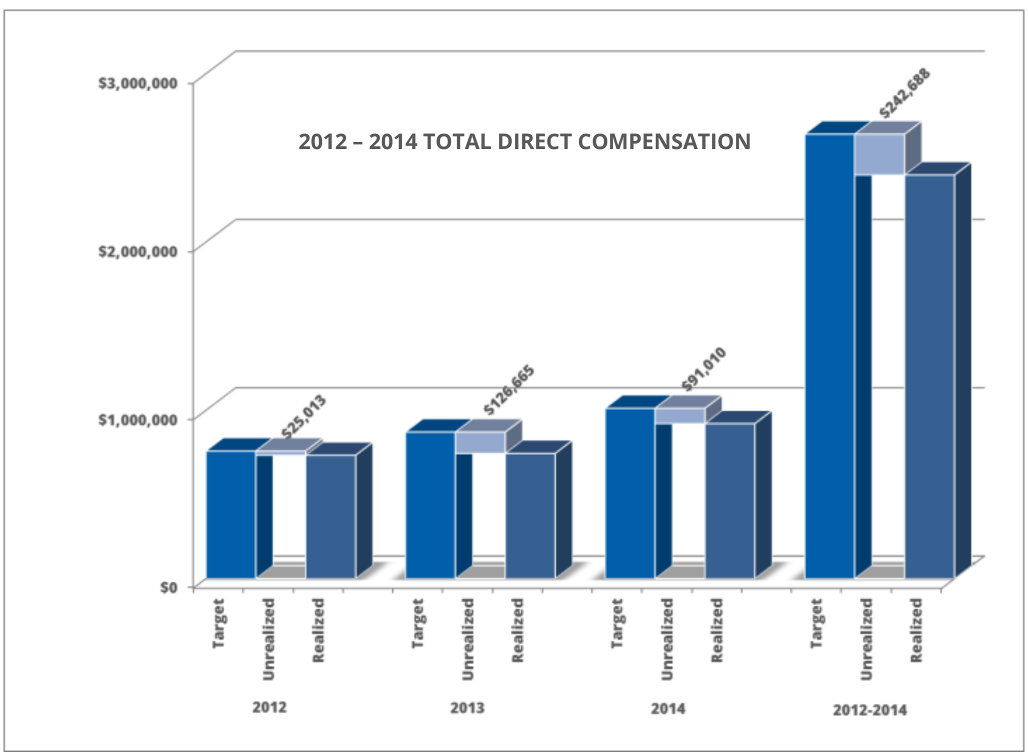
- ☑ Improve corporate and employee communications and make Future First relevant in Manitoba.
- ☑ Deliver highly effective Board experience, while supporting the Chair and other Directors.
- ☑ Support the CEO in multiple confidential strategic projects and initiatives for both divisions.
- ☑ As is the case with all NEOs, objectives were also linked to "employee engagement".

In 2014, Mr. Beauregard's VPP personal & strategic targets paid out at 150%.

Overall Outcome

- ☑ VPP award was $173,388, representing 91% of his target VPP award.

Paul A. Beauregard Chief Corporate & Strategy Officer & Corporate Secretary	Base Salary (Annualized)		Short-Term Incentive		Stock Option $ Value		Performance Share Units		Restricted Share Units $ Value		Total Direct Compensation		Percent Difference Between Target & Realized
	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	Target	Realized	
2010-2014	1,572,834	1,572,834	744,265	746,184	39,261	0	578,048	433,305	794,384	787,208	3,728,792	3,539,531	-5%
2012-2014	1,034,084	1,034,084	517,042	488,603	30,330	0	454,216	303,858	605,593	572,032	2,641,265	2,398,577	-9%
2014	**382,500**	**382,500**	**191,250**	**173,388**	**0**	**0**	**191,274**	**130,322**	**247,165**	**234,969**	**1,012,189**	**921,179**	**-9%**
2013	348,384	348,384	174,192	142,543	0	0	156,801	78,647	191,645	174,783	871,022	744,357	-15%
2012	303,200	303,200	151,600	172,672	30,330	0	106,141	94,889	166,783	162,280	758,054	733,041	-3%
2011	288,750	288,750	127,223	159,501	8,931	0	83,798	84,887	127,882	143,888	636,584	677,026	6%
2010	250,000	250,000	100,000	98,080	0	0	40,034	44,559	60,909	71,288	450,943	463,927	3%



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 ("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.

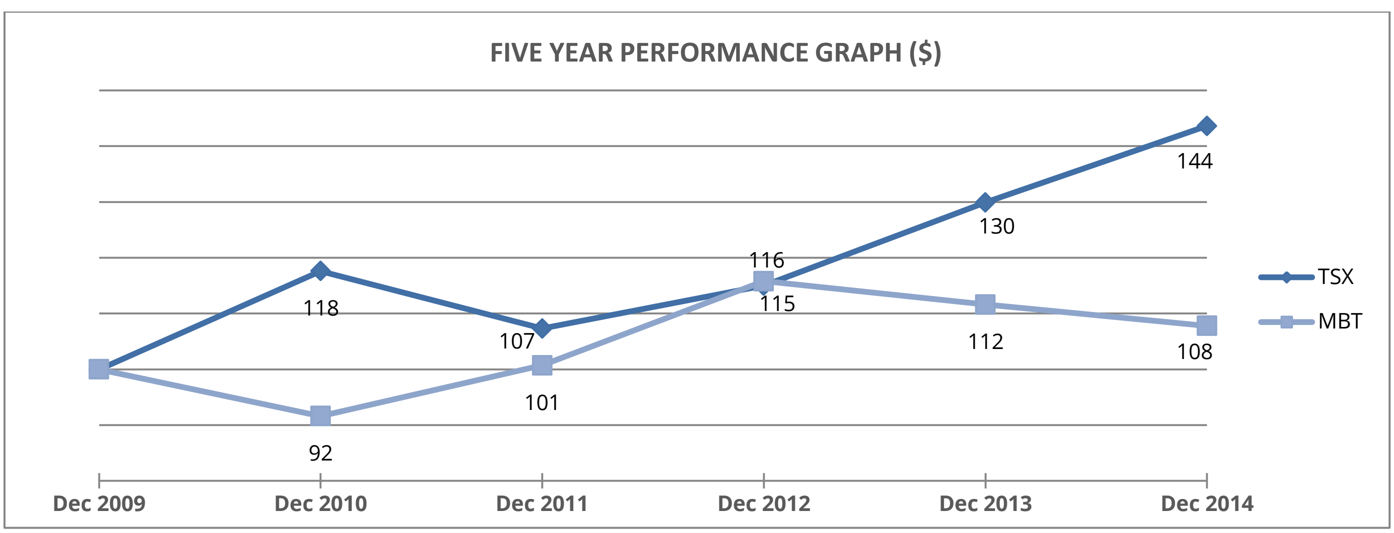
Time Period	TSR[(1)]	Percentage Difference Between Target & Realized Compensation For All NEOs[(2)]
2010	(8.5%)	(17.8%)
2011	9.9%	8.3%
2012	15.1%	(8.9%)
2013	(3.6%)	(16.9%)
2014	(3.4%)	(13.0%)
2010 – 2014	7.9%	(10.2%)

(1) TSR metric reflects total shareholder return from January 1 to December 31 of the relevant time period, including reinvestment of dividends. 2010-2014 TSR is the cumulative return for that period.

(2) Represents the difference between the aggregate compensation realized (i.e. base salary, actual short-term incentive award and dollar value of equity compensation vested and paid or, if unvested, the dollar value as of December 31, 2014) by all NEOs during the relevant time period, compared to the target compensation (i.e. base salary, target short-term incentive and grant value of equity compensation) of all NEOs during the same relevant time period. Given the identities of NEOs has changed, these numbers have been restated for past years.

FIVE-YEAR PERFORMANCE GRAPH

The following graph compares the change over the last five years in cumulative shareholder 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, 2009, share price of $33.50 and reinvestment of dividends.



	Dec. 31/09	Dec. 31/10	Dec. 31/11	Dec. 31/12	Dec. 31/13	Dec. 31/14
S&P/TSX Composite Index ($)	100	118	107	115	130	144
MTS Common Shares ($)	100	92	101	116	112	108

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, 2014.

Name	Option-Based Awards				Share-Based Awards					
	Number Of Securities Underlying Unexercised Options[1] (#)	Option Exercise Price[2] ($)	Option Expiration Date	Value Of Unexercised In-The-Money Options[3] ($)	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	39,021	61,755			1,060,591	1,678,511
	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	25,500	49.03	January 3, 2015	Nil	26,407	35,498	717,742	964,836	0	0
	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	25,500	49.03	January 3, 2015	Nil	34,239	42,155	930,616	1,145,762	0	0
	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						
Michael R. Strople	5,000	42.24	February 7, 2018	Nil	15,168	20,499	412,266	557,163		
	2,800	35.19	February 9, 2019	Nil						
	7,710	32.36	February 8, 2022	Nil						
Paul A. Beauregard	1,100	35.19	February 9, 2019	Nil	15,751	21,046	428,112	572,032	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 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 consecutive trading days preceding December 31, 2014 was $27.18. 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 consecutive trading days preceding December 31, 2014, which was $27.18. As the Units shown are vested, no performance criteria are applied to Performance Share Units.

(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 retired December 31, 2014.

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

INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR

The following table provides information on incentive plan awards that vested or were earned during the financial years ending December 31, 2013 and December 31, 2014.

We have not issued stock options since 2012.

Name	Option-Based Awards Value Vested During the Year (1) ($)		Share-Based Awards Value Vested During the Year(3) ($)				Non-Equity Incentive Plan Compensation Value Earned During the Year(2) ($)	
			PSUs		RSUs			
	2014	2013	2014	2013	2014	2013	2014	2013
Pierre J. Blouin	Nil	Nil	710,069	865,679	1,251,505	706,647	521,790	667,951
Wayne S. Demkey	Nil	Nil	200,434	228,755	349,769	377,995	228,004	228,061
Kelvin A. Shepherd	Nil	Nil	256,684	278,037	447,950	459,410	315,243	291,587
Michael R. Strople	Nil	Nil	53,628	46,770	109,077	81,770	127,332	78,817
Paul A. Beauregard	Nil	Nil	84,887	44,559	143,887	71,288	173,388	142,543

(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 2014, 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.

(3) In respect of RSUs and PSUs granted in 2010, 2011, 2013 and 2014.

EQUITY COMPENSATION PLAN INFORMATION

All of our options have a strike price below market price.

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 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.

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, 2014, 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 First Column)	
Plan Category	% Of Common Shares Outstanding On Dec. 31	#	$	% Of Common Shares Outstanding On Dec. 31	#
Equity Compensation Plans Approved By Security Holders	2.21%	1,726,774	$36.99	4.32%	3,375,246
Equity Compensation Plans Not Approved By Security Holders	0.58%	450,000	$40.44	—	—
TOTAL	2.79%	2,176,774	$37.70	4.32%	3,375,246

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 2014, 2013 and 2012:

	2014	2013	2012
Overhang [1]	7.11%	7.23%	8.29%
Dilution [2]	2.79%	3.67%	4.40%
Burn Rate [3]	0%[4]	0%[4]	0.53%[5]

(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 2014 or 2013.

(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:

	2014[1]	2013[1]	2012
Fair Value	N/A	N/A	$2.78
Risk-Free Interest Rate	N/A	N/A	1.44% - 2.15%
Expected Volatility	N/A	N/A	20.14%
Expected Dividend Yield	N/A	N/A	5.27%
Expected Life	N/A	N/A	6 Years
Share Price	N/A	N/A	$32.23
Exercise Price	N/A	N/A	$32.36

(1) No options were issued in 2014 or 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 six 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. 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 our new CEO, will only participate in defined contribution pension arrangements.

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

EXECUTIVE	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).

EXECUTIVE	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")

EXECUTIVE	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 BENEFIT PENSION PLAN (THE "ALLSTREAM PENSION PLAN" OR "APP")

EXECUTIVE	MICHAEL R. STROPLE
FORMULA	55% of the average highest five-year pensionable earnings (consisting of salary only 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.
COST OF LIVING ADJUSTMENT (COLA)	Ad hoc retirement benefit increases at the sole discretion of the employer.
RETIREMENT AGE	Rule of 85 – With the employer's consent a member may retire at any time after age 55 with an unreduced pension if their age plus years of credited service total at least 85. Normal retirement is at age 65.
EARLY RETIREMENT REDUCTION	Members may retire 10 years prior to normal retirement with a reduced pension provided that they have at least two years of continuous or credited service in the APP. With employer's consent the reduction is 3% for each point less than Rule of 85. Without employer's consent the reduction is 6% for each year prior to age 65.
PENSION LIMIT	$1,722 multiplied by credited service (maximum 35 years).

NON-CONTRIBUTORY ALLSTREAM EXECUTIVE DEFINED CONTRIBUTION PENSION PLAN ("AEDCPP")

EXECUTIVE	MICHAEL R. STROPLE
FORMULA	Not Applicable.
EMPLOYER CONTRIBUTION RATE	Notional employer contributions at 10% of the member's base salary.
RETIREMENT AGE	Deemed to retire upon cessation of employment and having attained age 55 and been an AEDCPP member for a minimum of 5 years.
EARLY RETIREMENT REDUCTION	Not Applicable.
PENSION LIMIT	Not Applicable.

CONTRIBUTORY MTS DEFINED CONTRIBUTION PENSION PLAN ("MDCPP")

EXECUTIVE	JAY A. FORBES
FORMULA	Not Applicable.
EMPLOYER CONTRIBUTION RATE	Matching employer contributions ranging from 1% to 8% based on the member's contribution rate and subject to limits that vary based on years of continuous service. Total contributions are subject to the money purchase limit as defined under Canada Revenue Agency rules applicable in the calendar year.
RETIREMENT AGE	A member may retire as early as age 55 if they are no longer employed by the Company and they elect to receive retirement benefits. Normal retirement is at age 65.
EARLY RETIREMENT REDUCTION	Not Applicable.
PENSION LIMIT	Not Applicable.

NON-CONTRIBUTORY MTS EXECUTIVE DEFINED CONTRIBUTION PENSION PLAN ("MEDCPP")

EXECUTIVE	JAY A. FORBES
FORMULA	Not Applicable.
EMPLOYER CONTRIBUTION RATE	Notional employer contributions at 15% of base salary less the matching employer contributions made for Mr. Forbes under the MDCPP.
RETIREMENT AGE	Deemed to retire upon cessation of employment and having attained age 55 and been an MEDCPP member for a minimum of 5 years.
EARLY RETIREMENT REDUCTION	Not Applicable.
PENSION LIMIT	Not Applicable.

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 57 years old, and has reached this entitlement.

DEFINED BENEFIT PLANS TABLES

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, 2014.

The following table details the years of credited service, estimated pension benefits as at December 31, 2014, projected pension benefits to age 65, and the changes in the accrued pension obligations during 2014 for the NEOs participating in the defined benefit plans described above.

		Annual Benefits Payable[4] ($)					
Name	Number of Years Credited Service [1]	At Year End	At Age 65	Opening Present Value At Jan. 1, 2014 ($)	2014 Compensatory Change ($)	2014 Non Compensatory Change[5] ($)	Closing Present Value At Dec. 31, 2014 ($)
Pierre J. Blouin	9.1	300,000	N/A	4,058,000	0[3]	2,014,000[3]	6,072,000
Wayne S. Demkey[2]	18.1	194,000	344,000	2,541,000	169,000	606,000	3,316,000
Kelvin A. Shepherd	14.1	179,000	303,000	2,369,000	130,000	491,000	2,990,000
Michael R. Strople	9.3	16,000	51,000	142,000	36,000	40,000	218,000
Paul A. Beauregard[2]	6.3	48,000	231,000	467,000	85,000	207,000	759,000

(1) Represents total service, including service in a basic pension plan prior to joining an executive pension plan.

(2) Mr. Demkey's executive service is 13.3 years and Mr. Beauregard's executive service is 3.6 years.

(3) Mr. Blouin was entitled to his full pension in 2013 so there was no compensatory change impact to his accured benefit obligation in 2014. The non-compensatory change for Mr. Blouin is primarily comprised of an experience loss of $1,128,000 due to his earlier than expected retirement, interest on the defined benefit obligation of $199,000 and a loss of $677,000 due to the interest rate and mortality assumption change.

(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 2014. 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) The non-compensatory changes are mainly due to changes in interest rates used to value the pension benefits and changes to mortality assumptions

DEFINED CONTRIBUTION PLAN TABLE

The following table details the accumulated value as at December 31, 2014, and the compensatory changes in the accumulated value during 2014 for the NEOs participating in the defined contribution plan:

	Accumulated Value At Dec. 31, 2013	2014 Compensatory Change[2]	Accumulated Value At Dec. 31, 2014[3]
Name	($)	($)	($)
Michael R. Strople[1]	60,352	34,176	100,491

(1) Mr. Strople's executive service is 3.0 years.

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

(3) Accumulated Value includes notional investment earnings.

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. Jay A. Forbes, who was appointed Chief Executive Officer of the Company effective January 1, 2015, has an employment agreement which includes terms providing for certain payments in the event of the termination of his employment without cause or as a result of a change of control of the Company as described below. These arrangements are not the same as the other NEO's continuity and surrender agreements, and were structured working with independent legal and compensation advisors to reflect best practices.

EMPLOYMENT AGREEMENTS

JAY A. FORBES

Jay A. Forbes has an employment contract with the Company, the terms of which were developed by the CEO Succession Sub-Committee, in conjunction with the HRCC and its independent compensation advisor, Hugessen, along with independent counsel, to reflect good governance and to refresh the benchmarking for the Chief Executive Officer compensation.

- Mr. Forbes' employment agreement establishes an initial annual base salary of $750,000 and an annual perquisite allowance of $50,000, and provides for: a targeted short-term variable bonus incentive at 100% of base salary, which is subject to the achievement of targets as determined by the Board (to a maximum of 150% of annual base salary);

- Long-term incentive plan compensation at 150% to 250% of base salary, in the discretion of the Board, the form and mix of which is determined annually by the Board, which, for 2015, will be 200% of his base salary, 40% of which will be RSUs and 60% of which will be PSUs (and no stock option grants); and participation in the Company's MDCPP and MEDCPP, for a total annual contribution by the Company of 15% of Mr. Forbes' base salary.

Mr. Forbes' short- and long-term incentive payments are subject to a **clawback** in the event of serious misconduct, gross negligence or a material restatement of financial results (other than a change of accounting policy with retroactive effect).

Mr. Forbes' employment agreement contains a **minimum share ownership requirement** of 400% of his base salary, to be achieved by December 31, 2019. In addition, Mr. Forbes is required to invest 25% of the net after-tax value of all long-term incentive payments (e.g., share units and options) to acquire shares of the Company, and a **post-retirement hold period** to not, without prior Board approval, sell such shares for a period of twelve months following the termination of his employment. There are also **anti-monetization** provisions under which Mr. Forbes is prohibited from selling any shares of the Company, without prior Board approval, while Chief Executive Officer.

Mr. Forbes' employment agreement provides that in the event Mr. Forbes' employment with the Company is terminated by the Company without cause or by Mr. Forbes for good reason within twenty-four months of a change of control, he will be entitled to: (a) continued payment of his annual base salary, employee benefits (or payment in lieu thereof), and perquisite allowance for a period of two years following the termination of employment; (b) on the next two dates on which he would have been paid a bonus had his employment not been terminated: (i) if the termination of employment occurs on or before December 31, 2016, the short-term variable bonus at target (i.e. 100% of his annual base salary); or (ii) if the termination of employment occurs after December 31, 2016, the average of his short-term variable bonuses paid in the respect of the previous two calendar years; and (c) an amount equal to 30% of his base salary (in lieu of the accrual of additional benefits under benefit and pension plans). With respect to Mr. Forbes' participation under the MEDCPP, all benefits will be deemed to have vested, regardless of the actual years of service. For the purpose of Mr. Forbes' employment agreement, "change of control" generally means:

a. the acquisition of more than 50% of the Common Shares by a person or by a group acting jointly or in concert;

b. the acquisition of more than 50% of the book value of the assets of the Company by a person or by a group acting jointly or in concert;

c. 50% or more of the members of the Board elected at a meeting of shareholders are individuals who were not Board members prior to such meeting of shareholders; or

d. the Board, acting in their sole and unfettered discretion, decides that a change of control of the Company has occurred.

In the event of a change of control, the Board has the discretion to arrange "rollover" for any unvested grants of Mr. Forbes' RSUs, PSUs and stock options; however, the Board will also have the discretion to accelerate, vest and payout any such unvested grants. If (a) a "rollover" is not arranged, or if (b) either Mr. Forbes' employment is terminated by the Company without cause following a change of control or if Mr. Forbes terminates his employment for good reason within twenty-four months of a change of control, then unvested grants of Mr. Forbes' RSUs, PSUs and stock options will accelerate and be paid out.

Mr. Forbes' employment agreement also imposes non-competition and non-solicitation restrictions for a period of fourteen months and two years, respectively, following the termination of his 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, 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 that Mr. Demkey's employment with the Company is terminated without cause, Mr. Demkey is entitled to a severance payment in the amount of one and a half times the sum of his annual base salary, the average of his annual bonus paid in each of the two preceding fiscal years, and the average of the value of his annual benefits for each of the two preceding fiscal years. Mr. Demkey is also subject to non-competition and non-solicitation restrictions for a period of one 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, 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 that Mr. Shepherd's employment with the Company is terminated without cause, Mr. Shepherd is entitled to a severance payment in the amount of one and a half times the sum of his annual base salary, the average of his annual bonus paid in each of the two preceding fiscal years, and the average of the value of his annual benefits for each of the two preceding fiscal years. Mr. Shepherd is also subject to non-competition and non-solicitation restrictions that will apply for a period of fourteen months following the termination of his employment by the Company.

MICHAEL R. STROPLE

Michael R. Strople has an employment agreement with the Company that 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 is calculated on the basis of a maximum of 65% of annual base salary for target achievement and up to 97.5% for stretch obligations. This contract also provides that in the event that Mr. Strople's employment is terminated without cause, Mr. Strople is entitled to a severance payment in the amount of the sum of (a) one and a half times his annual base salary, (b) one and a half times the average of his annual bonus paid in each of the two preceding fiscal years, (c) a pro-rated amount of the annual bonus that would have been payable if his employment had not been terminated for the fiscal year in which his employment is terminated, and (d) if Mr. Strople elects not to receive benefits for the eighteen months following termination of employment, payment in lieu thereof. Mr. Strople is also subject to non-competition and non-solicitation restrictions for a period of one year following the termination of employment.

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 that Mr. Beauregard's employment is terminated without cause, Mr. Beauregard is entitled to a severance payment in the amount of one and a half times the sum of his annual base salary, the average of his annual bonus paid in each of the two preceding fiscal years, and the average of the value of his annual benefits for each of the two preceding fiscal years. Mr. Beauregard is also subject to non-competition and non-solicitation restrictions for a period of one 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, although Mr. Forbes is not subject to these arrangements. 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 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 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, Strople and Beauregard as (a) the acquisition of 20% or more of the Common Shares by a person or by a group of affiliated persons, (b) 50% or more of the members of the Board of the Company elected at a meeting of shareholders are individuals who are not Board members prior to such meeting of shareholders, (c) a single shareholder of the Company has the right within two years to nominate a majority of the members of the Board, or (d) as otherwise determined by the Board in certain situations. The Continuity Agreements of Messrs. Demkey and Shepherd define a change of control in the same manner, with two 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 (i.e. it is an event requiring shareholders to approve amendments to the Company's articles).

SURRENDER AGREEMENTS

The Company has entered into a contract (the "Surrender Agreement") with each NEO (although Mr. Forbes is not subject to these arrangements) 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 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.

TERMINATION TYPE	SEVERANCE	SHORT-TERM INCENTIVE	SHARE AWARDS	BENEFITS & PERQUISITES
For Just Cause (by Company) or Without Good Reason (by executive)	None	None	Forfeiture	None
Without Just Cause (by Company) or For Good Reason (by executive)	**CEO**: 2X Annual Base Salary **CFO, Presidents, Chiefs**: 1.5X Annual Base Salary	Same multiples as severance Based on last two years' average with some exceptions for first two years of employment (then based on Target)	Default is forfeiture; accelerated vesting at Board's discretion	**CEO**: 2 years benefits continuance or $25,000 for each of 2 years; 2X annual flexible perquisite **CFO, Presidents, Chiefs**: 1.5X average value of previous 2 year's benefits
Change of Control	None without dismissal, otherwise 2X Annual Base Salary	**CEO**: None without dismissal, otherwise see row above **CFO, Presidents, Chiefs**: 2X average of 2 previous year's awards	**CEO**: Potential for "Rollover", failing which it is accelerated **CFO, Presidents, Chiefs**: Accelerated vesting	**CEO**: None without dismissal, otherwise see row above **CFO, Presidents, Chiefs**: 2X average value of previous 2 year's benefits & flexible perquisites
Disability	**CEO**: Treated as termination without cause **CFO, Presidents, Chiefs**: None	**CEO**: Treated as termination without cause **CFO, Presidents, Chiefs**: None	Default is forfeiture; accelerated vesting at Board's discretion	**CEO**: Treated as termination without cause **CFO, Presidents, Chiefs**: None
Death	None	None	Forfeiture; accelerated vesting at Board's discretion	None

Terminated executives are subject to non-competition and non-solicitation restrictions for a period ranging from 12-24 months post-termination.

ESTIMATED PAYMENTS ON TERMINATION

The following table outlines 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 December 31, 2014, for each NEO except Pierre J. Blouin, who retired on December 31, 2014. The payments in respect of Mr. Blouin's retirement are set out in the summary compensation table. No severance or other incremental payments apply in the event that 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.

NEO	Type Of Termination	Salary ($)	Incentive Payment[1] ($)	Employee Benefits ($)	Vesting Of Option-Based Awards ($)	Vesting Of Share-Based Awards[2] ($)	Total ($)
Wayne S. Demkey	Termination Without Cause	724,650	342,049	73,046	Nil	Nil	1,139,744
	Change Of Control	966,200	456,065	97,394	Nil	1,667,006	3,186,665
Kelvin A. Shepherd	Termination Without Cause	763,200	455,123	76,496	Nil	Nil	1,294,818
	Change Of Control	1,017,600	606,830	101,994	Nil	2,069,513	3,795,937
Michael R. Strople	Termination Without Cause	525,000	154,612	57,349	Nil	Nil	736,961
	Change Of Control	700,000	206,149	84,236	Nil	966,219	1,956,604
Paul A. Beauregard	Termination Without Cause	573,750	236,948	53,757	Nil	Nil	864,455
	Change Of Control	765,000	315,931	71,676	Nil	996,831	2,149,438

(1) These numbers assume that the 2014 bonus has already been paid.

(2) The value of the share-based awards was calculated using the closing market price of the Common Shares of the Company on December 31, 2014, which was $27.09.

2012 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 have since expired.

ADDITIONAL DISCLOSURE & INFORMATION

INDEBTEDNESS OF DIRECTORS & OFFICERS

No current or former Director, executive officer or employee of the Company, or associate of any person who is, or at any time during the financial year ended December 31, 2014 was, a director or executive officer of the company, is or has been indebted to the Company or any of its subsidiaries or have had an indebtedness to another entity guaranteed by the Company or any of its subsidiaries.

MATERIAL TRANSACTIONS & MATTERS TO BE ACTED UPON

No Directors or officers of the Company, 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 of its subsidiaries.

No person who has been a Director or executive officer of the Company at any time since January 1, 2014, no proposed nominee for election as a Director, and no associates or affiliates of any such persons have had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon at the Meeting other than the election of the Directors or the appointment of auditors.

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, 2014. These documents, as well as additional information relating to the Company, are available under the Company’s profile 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:

email: 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 18, 2015
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 2014 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, 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, following our annual meeting of shareholders, 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. The CEO 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 under the Investors tab, and under Governance. 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 eleven Directors in 2014 and will be ten Directors following our annual meeting of shareholders. 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 into this Circular (Appendix 1) and can be found on our website at www.mtsallstream.com under the Investors tab, and under Governance.

The Board also acts in accordance with **The Corporations Act** (Manitoba) (the "MCA") and other applicable laws; the Company's Articles and by-laws; the Company's **Guide for Business Conduct & Ethics** (the "Ethics Guide") found on our website at www.mtsallstream.com, under the Governance tab, and under Policies, which outlines essential rules and guidelines pertaining to ethical business conduct; the Company's **Statement of Corporate Governance System** (the "Governance Manual"), found on our website at www.mtsallstream.com under the Investors tab, and under Governance, 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 on our website at www.mtsallstream.com under the Investors tab, and under Governance; 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 MCA. 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 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 Company. Each director must exercise his or her powers honestly and for the benefit of the Company 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 Company 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 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.

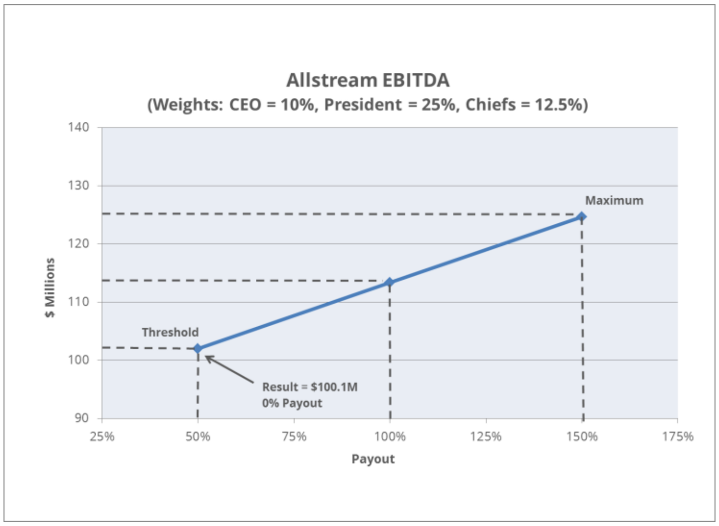
FREE CASH FLOW

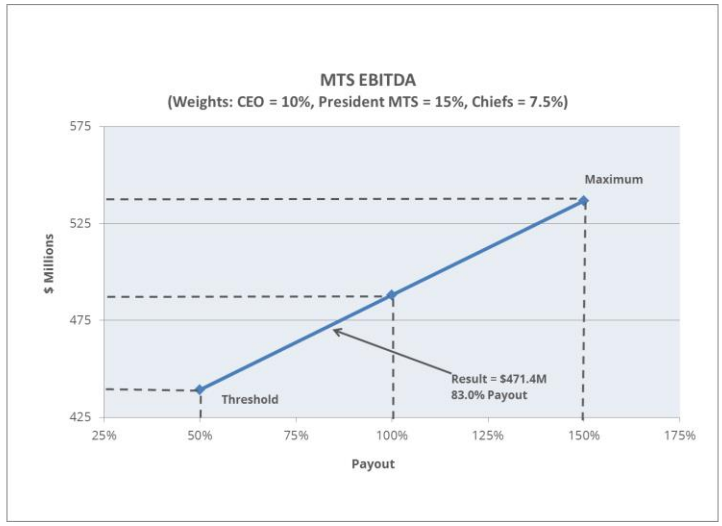
Free cash flow is a non-IFRS measure of performance. The Company defines free cash flow as "cash flows from operating activities, less capital expenditures and excluding changes in working capital". Free cash flow is the amount of discretionary cash flow that the Company has for purchasing additional assets beyond its annual capital expenditure program, paying dividends, buying back shares and/or retiring debt.

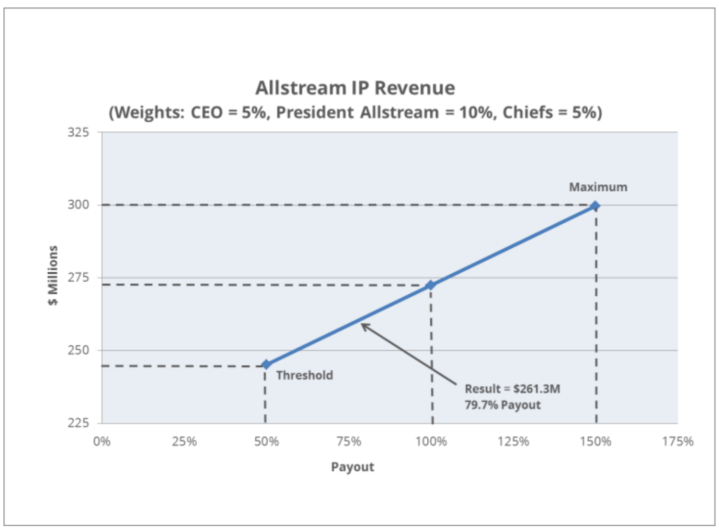
The term "free cash flow". These two terms do not have any standardized meaning according to IFRS. It is therefore unlikely to be comparable to similar measures presented by other companies.

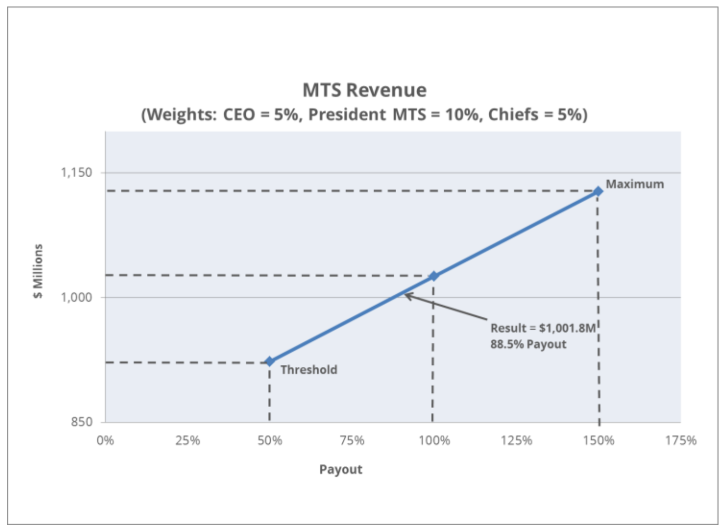
APPENDIX 3

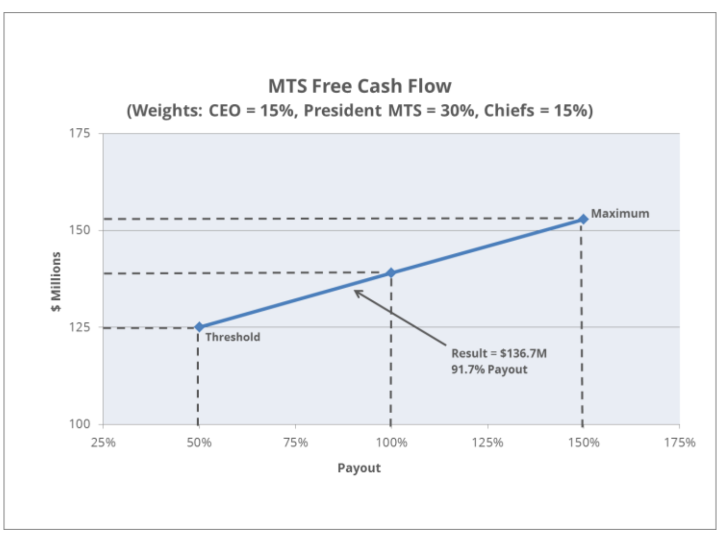
2014 PERFORMANCE MEASURES

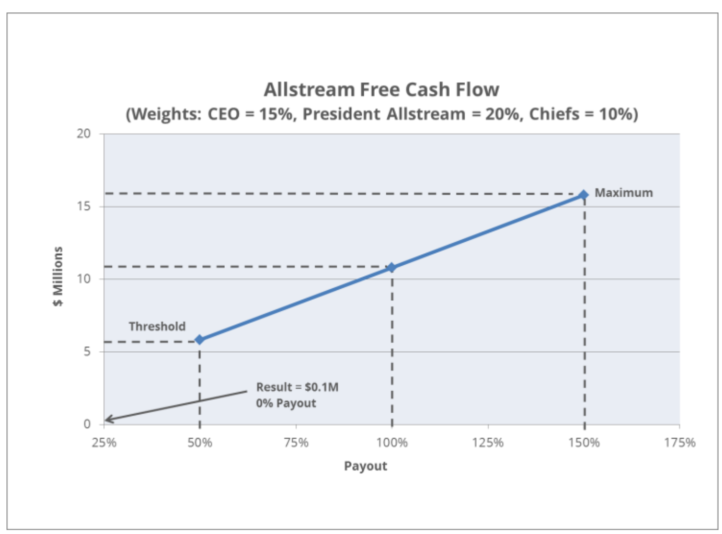


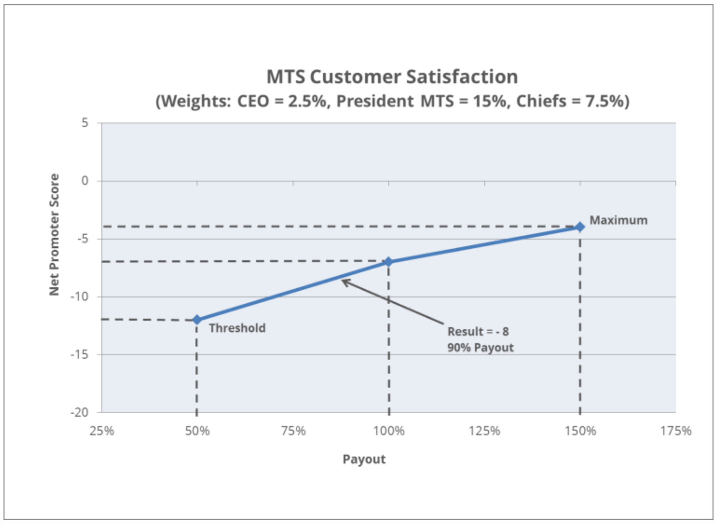


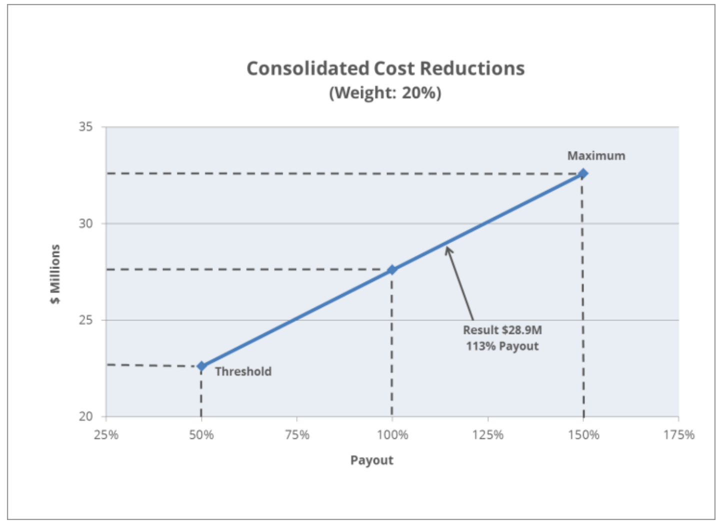


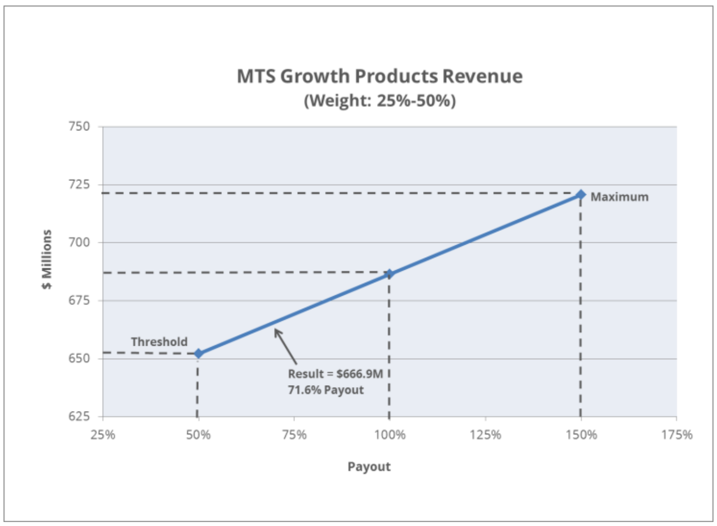







MTS Customer Satisfaction
(Weights: CEO = 2.5%, President MTS = 15%, Chiefs = 7.5%)
Net Promoter Score
5
0
-5
-10
-15
-20
25%
50%
75%
100%
125%
150%
175%
Payout
Maximum
Threshold
Result = - 8
90% Payout


Consolidated Cost Reductions
(Weight: 20%)
$ Millions
35
30
25
20
25%
50%
75%
100%
125%
150%
175%
Payout
Maximum
Threshold
Result $28.9M
113% Payout


MTS Growth Products Revenue
(Weight: 25%-50%)
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750
725
700
675
650
625
25%
50%
75%
100%
125%
150%
175%
Payout
Maximum
Threshold
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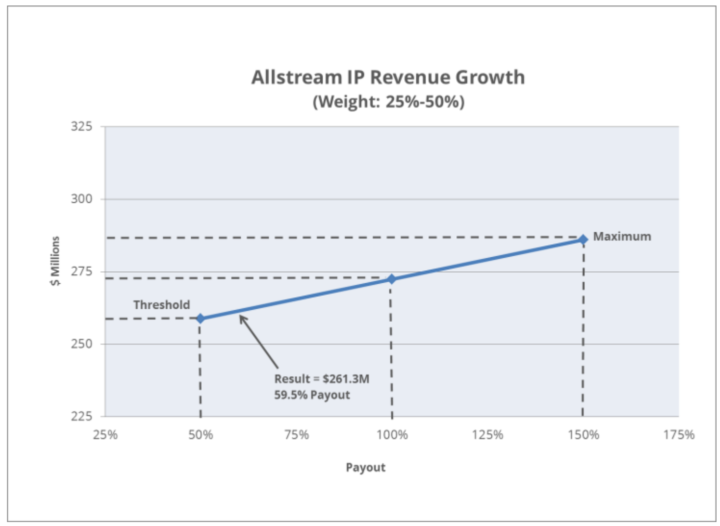
71.6% Payout


Allstream IP Revenue Growth
(Weight: 25%-50%)
$ Millions
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300
275
250
225
25%
50%
75%
100%
125%
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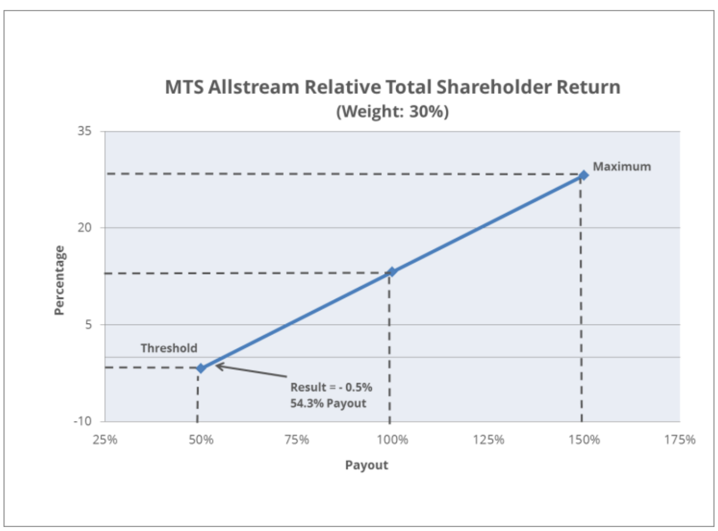
Result = $261.3M
59.5% Payout


MTS Allstream Relative Total Shareholder Return
(Weight: 30%)
Percentage
35
20
5
-10
25%
50%
75%
100%
125%
150%
175%
Payout
Maximum
Threshold
Result = - 0.5%
54.3% Payout

AWARDS & RECOGNITIONS

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 paper was sourced and selected selected from a Canadian paper mill. They are acid-free and elemental chlorine-free, and certified by the Forest Stewardship Council™ (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 14 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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